THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

June 12, 1948

A LESSON FOR NANKING

AN EDITORIAL

Red Purge In Japan's Hollywood

Hugh Deane

Socialism In Burma

Walter Briggs

New Trade System Shapes Up

J. R. Kaim

CHINESE FUNDS ABROAD

AN EDITORIAL

VOLUME 110 PRICE CNC$100,000 NUMBER 2

Tires and Tubes BY

B.F. Goodrich

固得力

橡膠領袖

獨家經理

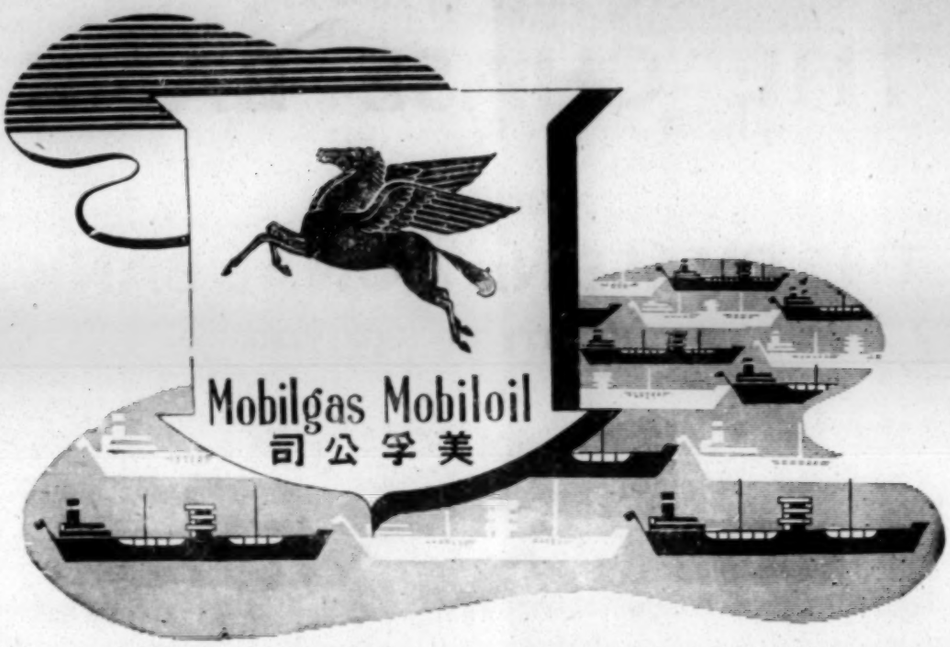
華

THE CHINA MERCANTILE CO., LTD.

華貿股份有限公司

電話 一三三一二

上海圓明園路九十七號



Serving half the world

One billion two hundred millions of people in the Eastern Hemisphere are served by Standard-Vacuum and its great fleet of tankers.

This company and its subsidiaries are proud of the part they play in bringing to more than half the population of the world the petroleum products essential to their economic growth.

GARGOYLE Lubricants 美孚公司

STANDARD-VACUUM OIL COMPANY

大通國際商業銀行

THE CHASE BANK

Affiliated With

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Shanghai Office:

99 Nanking Road (O) Telephone 11440

Branches:

HONGKONG ◁▷ TIENTSIN ◁▷ PARIS

FOLLOW DEVELOPMENTS IN CHINA....

By Subscribing to:—

China Weekly Review

China Economist

Daily Translation Service

Monthly Report

MILLARD PUBLISHING COMPANY

160, Chung Cheng Road

SHANGHAI

LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Communist Arrests

To The Editor:

In the May 22nd issue of the *Review* there appeared an editorial under the title of "Mayor Wu's Communists." The editorial, written in connection with the arrest of Chang Liang-tsai, a Chinese communist agent, pointed out that the Chinese Government's policy of eradicating communism by arrests has given rise to a great many abuses and that "the communist witch hunt in Shanghai is fast developing into a first class racket."

The Government will not allow abuses of this kind to appear or to be perpetuated. If there are cases, such as the *Review* enumerated, in which the principals involved are innocent victims, they should be brought to the attention of the Mayor or other authorities concerned. The Government will give necessary protection to all law-abiding citizens. Even the communist repentants who have surrendered themselves to the authorities are given protection and an opportunity to turn a new leaf.

The authorities that are empowered to arrest communists are the Shanghai-Woosung Garrison Headquarters and the Shanghai Police Bureau, which must obtain sufficient proof before taking action. Police or Garrison officers, in making such arrests, must produce official papers. If an unauthorized arrest is attempted, the victim should report to the nearest police station, or even direct to the Mayor.

It is for the purpose of maintaining peace and order that the city should be cleared of communists and communist agents. The Mayor both hopes and expects the public to cooperate in the matter. On the other hand, it is hoped that the people should not give credulity to rumors purposely spread by communist agents.

In regard to the Chang Liang-tsai case, her confession and those of the other five were already released to the local press. The representatives from Chiao Tung University were satisfied when these written confessions were shown to them.

H. P. CHU,
Director,
Press Bureau,
Shanghai Municipal Government.

Shanghai
June 1, 1948.

Yunnan Replies

To The Editor:

On reading the *China Weekly Review* of March 13th, we were surprised to note what your special correspondent Helen P. F. Shih has written about this University in her article entitled "Graft and Bandits Plague Yunnan."

It says: "The educational circle has become accustomed to corruption—or blackness." She indicated that the "wall paper" refers to an alleged case of corruption concerning the University president and the director of the hospital, also mentioning that a group of medical college graduates were supporters of President Shong, since they have already received their share. Will she be kind enough to point out "when

THE CHINA WEEKLY REVIEW

J. B. Powell
(Editor & Publisher, 1918-1947)

John W. Powell, *Editor & Publisher*
Fang Fu-an, *Financial Editor*
Sam J. Wilde, *Advertising Manager*

Assistant Editors
Elizabeth Purcell
Yang Chen-fang
Joan Faulkner
Helen Sun

Contributing Editors
Lin Wo-chiang
Charles J. Canning
C. Y. W. Meng
Edward Rohrbough
Ben Y. Lee
Leo Rissin
J. R. Kaim
Frank L. Tsao
Tseng Yu-hao
Shen Chien-tu
James L. Stewart

Correspondents

Jefferson Cath	—	*Canton*
Van Shih-ching	—	*Chengchow*
Tong Chun-cho	—	*Chengtu*
Chen Fu-sheng	—	*Foochow*
Mark M. Lu	—	*Kaifeng*
Helen P. F. Shih	—	*Kunming*
Joseph I. C. Luan	—	*Shantung*
S. E. Shifrin	—	*Tientsin*
Lauw Thian-hok	—	*Batavia*
Harin Shah	—	*Bombay*
C. Y. Hsieh	—	*London*
Joseph P. Lyford	—	*New York*
Jacques Decaux	—	*Paris*
David Conde	—	*San Francisco*
Ngiam Tong Fatt	—	*Singapore*
Hugh Deane	—	*Tokyo*

F. K. Chao, *Business Manager* Chen Pang-cheng, *Circulation Manager*

Index for June 12, 1948

Editorial Paragraphs

A Lesson For Nanking 43
The Shanghai Fire Trap 45
Building Up South China 45
Financing Competitors 46
Chinese Holdings Abroad 46

Special Articles

Red Purge In Japan's Hollywood ..... *Hugh Deane* 48
The Fou Hsin Mine; A Link In The Chain Of Disaster ..... *Li Li-fan* 49
China's Relations With Tibet ..... *Shenchi Liu* 50
Railroad Reconstruction In Central Hopei 54
Burma Embarks On Socialism ..... *Walter Briggs* 55

Economic Section

New Trade System Takes Shape ..... *J. R. Kaim* 56
The Week's Business 57
Quotations 57

Departments

Letters From The People 35
25 Years Ago 47
News Of The Week 58
US Magazine Roundup 60
The Review's English Lesson XXXV 61
What US Papers Say 62
What Chinese Papers Say 63

Subscription Rates

	3 months CNC$	*6 months* CNC$
Shanghai and China Outports	1,200,000	2,400,000
China Outports (Air Mail)	1,600,000	3,200,000
Hongkong and Macao	1,400,000	2,800,000
Hongkong and Macao (Air Mail)	1,800,000	3,600,000
	6 months	*1 year*
U.S.A. and other Foreign Countries	US$5.00	US$9.00

Price per copy: CNC$100,000.

All mail rates are subject to change in accordance with postal changes.

Cable Address: "Reviewing" Shanghai **Telephone: 14772**

PUBLISHED AT 160 CHUNG CHENG ROAD (EASTERN), SHANGHAI (O), CHINA, BY MILLARD PUBLISHING COMPANY, INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE, U.S.A. REGISTERED AT THE CHINESE POST OFFICE AS A NEWSPAPER FOR TRANSMISSION WITH SPECIAL MARKS PRIVILEGES IN CHINA.

Contents of previous issues of The China Weekly Review may be found in the "International Index of Periodicals," copies of which are on file in most standard libraries.

All editorials, text and other material in the weekly issues of the China Weekly Review are copyrighted under certificate of registration 警 No. 9953 issued by the Ministry of Interior. Registered with Ministry of Interior of the National Government of the Republic of China, under certificate for newspapers No. 京滬警 250.

CONNELL BROS. CO., LTD.

— *Established 1898* —

Importers & Exporters

149 Szechuen Road, Shanghai (O) Tels. 16833-2-1

Head Office: **San Francisco**

Branches:

New York Bombay Tientsin

Affiliated Companies:

CONNELL BROS. CO. (HONGKONG) LTD.
Hongkong and Saigon

CONNELL BROS. CO. (MALAYA) LTD.
Singapore and Penang

CONNELL BROS. CO. (PHILIPPINES)
Manila, Cebu and Iloilo

Shanghai's American Daily— more than "just a newspaper"

During these trying post-war days, the Shanghai Evening Post and Mercury has slipped into a peculiarly intimate place in the minds and hearts of readers. Perhaps that is because it tries in every way to be as human as your best friend. Read it for true straight news, most of it printed at least 15 hours ahead of other Shanghai papers; for outspoken views; for bright touches and entertainment features which will take your mind off your troubles. For the times, subscription rates are low:

REVISED

MONTHLY SUBSCRIPTION RATES

Effective May 15, 1948

	CNC$
Local Home Delivery	850,000.00
Pick Up Your Own Paper	770,000.00
China Outports, Ordinary Mail	900,000.00
China Outports, Airmail	1,400,000.00
Foreign Countries, Ordinary Mail	1,370,000.00
Hongkong, Airmail	1,900,000.00
Single Copy	50,000.00

The Shanghai Evening Post and Mercury

19 Chung Cheng Road, Shanghai (13).

they shared and what they have received?"

She stated that the students of Y. U. called a press conference in order to get the true story reported, but no paper dared to release it. Why?

What she wrote does not agree with the facts. It is a slander which we cannot permit to go unanswered. We must insist that your correspondent furnish the foundation on which her libel is based. We also request that the following facts be taken into consideration:

1. It is true that the students of Y. U. have submitted to Mr. Shong, the University president, a petition requesting him to make a report to the public, a request to which the professors and staff of the University hospital agreed.

2. To deal with the matter, the professors' association and the auditing committee sent representatives to check the questioned medicine and materials, together with representative students and outside inspecting officials.

3. In order to get the true version published, the professors' association and the auditing committee have announced in the newspapers the results of their minute investigations.

4. Hence it should be quite clear to all that the medicine and materials were properly handled in the hospital, and what your special correspondent stated was not accurate.

Signed, on behalf of the Y. U. professors' association,

K. S. TUNG.

Kunming,
May 20, 1948.

We Are Waiting

To The Editor:

Days and weeks have passed, but still there is no sign of the release of Misses Chang Liang-tsai and Chen Yu, or Messrs. Tao Yao, Tao Lung and Liu Chi-ming, our former schoolmates, dear friends and brethren. Nor has a date been set for their trial.

Miss Chang was reported missing on May 6. Later, we were informed that she had been arrested on her way back from athletics by the Bureau of Investigation and Statistics. Through some private relationship, she was once permitted to see her family at the Route Albert headquarters of the agency.

But this was not enough. On May 10, about eleven at night, another girl, Chen Yu, was arrested. The secret police and special agents came to her house and dragged her away. The next day, two people with special certificates No. 126 and 158 came to the China Agricultural Machinery Company saying they were officers from the Ministry of Agriculture. But later they revealed that they were from the government special operative agency and wanted to arrest Tao Yao, Tao Lung and Liu Chi-ming, training engineers of the company. So another three were carried away.

According to law, no one can be arrested, tried or convicted on any charge unless there is substantial evidence to establish his guilt. But what is the evidence in the present case? Can anyone believe the officially made "self-confession reports?" These defendants are not permitted to see anybody. Why?

We protest such arrests. In a city like Shanghai, under a government termed democratic, this should not be allowed.

Those five girls and boys were Chiaotung students who were graduated last summer. Miss Chang majored in chemistry and was a teacher of physics and chemistry in a girls' school, Miss Chen majored in physics and became an assistant in the Shanghai Medical Col-

lege. The three boys were all mechanical engineers whose work won the admiration of professors and fellow students.

Just think! What a tremendous task to get through all these 16 or more years of education. They had passed the strict examination of the China Agricultural Machinery Company and were ready to develop their capacity for the construction and rehabilitation work of our country. But now arrest and imprisonment is the reward of their study, so readily were they red capped.

No longer can their figures be seen in the field on tractors. Their families cannot see them again, returning home exhausted, but vigorous and joyful in spirit. Such useful, talented young creatures who ought to be a boon to their country are now so mistreated.

Once again, anger is on the march. For many a day, we have tried to keep quiet. We have asked ourselves to bear and bear again. Yet our keeping quiet does not mean that we are not ready to protest. Our calmness does not mean that we are too weak to act. And our endurance is not a sign of weakness or retreat. What is real and right we will protect.

CHIAOTUNG STUDENTS.

Shanghai
May 28, 1948.

Plans For Fukien

To The Editor:

Because of communist disturbances in North and Central China, industrial centers are being shifted southward. Viewed in this light, Fukien's economic reconstruction program is worth noting. The program consists of five phases: harnessing of water power, building of sea-walls and reclamation of undeveloped coastwise lands, repairing of highways, erection of railways, and mining of coal and alumina deposits.

First, the water power of the Chiu Lung River will be developed. The river originating in Lungyen, West Fukien, is noted for its numerous rapids. Officers despatched by National Resources Commission to the spot have been engaged in prospecting and surveying for four months. It is said that after completion of construction work, 100,000 kilowatts of power may be generated and that the job will cost US$15,000,000. The United States, it is said, will grant a loan of US$10,000,000 while overseas Chinese in South Fukien will make investments amounting to US$5,000,000. Once construction is completed, sulphuric acid and ammonia plants will be set up under American auspices. This project has been submitted to National Resources Commission for consideration.

Second, undeveloped coastwise lands will be reclaimed and sea-walls built. According to a preliminary estimate, such lands total 600,000 mow. Surveying requires CN$2,500,000,000. This will be appropriated by the Provincial Government when it has its regular meeting. The projected reclamation aims at augmenting Fukien's foodstuffs supplies. Fukien is short of 1,000,000 piculs of rice annually.

Third, it is planned to repair Pagoda-Loyuan-Futing Highway, Pucheng-Chengho-Fuan Highway, Kienou-Sungki-Chingyuan Highway, Nancheng-Changping Highway and Lungyen-Fengshih Highway. Expenses for repairs are estimated at CNC$400 billions. At present, the Central Government has appropriated only CN$42 billions. Provincial authorities, it is reported, will undertake the most needed repairs. Highways that have already been repaired, and are in operation now, are Yungan-Tatien Highway and Kienyang-Fengshuiwan Highway. Those in the process of repair

Via GLOBE

It is well when the wise and the learned discover new truths; but how much better to diffuse the truths already discovered amongst the multitudes. Every addition to true knowledge is an addition to human power . . . . . the whole land must be watered with the streams of knowledge.

—HORACE MANN.

●

GLOBE WIRELESS LTD.
51 Kwangtung Road
SHANGHAI (O)

Via GLOBE

555

The "555" clock respects no position: it will work at any angle. No matter how the minute-hand is shifted, you will soon find it perfectly adjusted.

Manufacturers:

China Clock & Watch Works, Ltd.
980 ZIKAWEI ROAD, SHANGHAI TELEPHONE 70350

Pure Silk

ONE GIANT

Neckties

OBTAINABLE EVERYWHERE

ONE GIANT NECKTIE FACTORY

Head Office:
10 Gordon Road, Shanghai
Tel. 34617
160 Chungking Road (S)
Tel. 88087
Cable Number 2840

Factory:
4 Tsang Jei Meng Tayy
Tarng, Soochow

THE FAR EASTERN ENGINEER

"The leading Engineering Journal in China"

May Issue

NOW ON SALE

Price per copy: CN$100,000.

Contents:

Two Flights over The Amne Machin
Fluorescent Lighting
Modern Looms for Weaving Rayon
Stepless Speed Regulation in Machine Tools
The Economic Importance of the Electric Boiler
Civil Aviation
Textile Supplement
Transport Notes
The Students' Corner
Chinese Section
Technical Literature

Obtainable at:

A.B.C. News Company .. .. .. 391 Szechuen Road, (C)
Chinese-American Publishing Co. .. 160 Nanking Road, (E)
Kelly & Walsh Limited .. .. .. 66 Nanking Road, (E)

or directly from the Publishers

THE FAR EASTERN ENGINEER 117 Hongkong Road

are Liencheng-Ninghua Highway and Pagodo-Loyuan Highway.

Fourth, it is planned to erect a Foochow-Amoy Railway. Some 40 surveyors sent by the Central Government are now conducting surveys in Foochow and Amoy. In the meantime, the Fukien-Chekiang Railway will be bulit.

Fifth, coal in Lungyen and alumina deposits in Changpu will be mined. For the former, the National Resources Commission is drafting mining plans; for the latter, three geological experts of the National Resources Commission, in conjunction with provincial technicians, are making explorative surveys.

Fukien's industrial potentialities appear to be great. What is more, labor is cheaper in Fukien than in other southern provinces; political and social conditions are comparatively quiet. However, Fukien, a poverty-stricken province, is not in a position to raise funds for financing this reconstruction program. The Central Government should make special grants as far as possible. Besides, the Provincial Government should do its utmost to induce overseas Chinese to invest in Fukien's enterprises.

In connection with erection of railways, I think the advice given by a New Zealand UNRRA engineer is worthy of being followed. Production is on a small, individual scale and producing areas are scattered and far apart. For some time to come, at least, the building of several highways will serve better purpose than the erection of one or two expensive railways.

CHEN FU-SHENG.

Foochow, Fukien
June 1, 1948.

Pseudo-Smart Trick

To The Editor:

The Truman Administration has manifested its greatest statesmanship in the Smith-Molotov conversations on the settlement of outstanding USSR-USA issues concerning world peace. Whether or not USSR has violated international diplomatic procedure by making public the content of same is a minor matter compared with the primary objective of furthering the cause of world peace. It was unfortunate indeed that President Truman attempted to weaken the greatest deed-in-the-making by meandering around the technicality of direct confab between the White House and the Kremlin. Fortunately, however, Secretary Marshall saved the situation by demanding action from USSR instead of words; while Henry Wallace wrote an open letter to Stalin, categorically enumerating his own concrete proposals —namely: general limitation of arms, prohibition of means of mass destruction, prohibition of the export of arms by any country, non-interference in the internal affairs of other countries, withdrawal of foreign troops from Korea and non-interference in the internal affairs of China, increased trade and development of cultural exchanges. According to the *Reuters* report from Moscow dated May 16, Soviet press commentators welcomed Henry Wallace's proposals. Whether they are sincere or not, they are on the right track to peace and prosperity. If there is success in these attempts at ending the cold war between the two great nations, USA will evidently get the lion's share of the credit. I'm dead sure that too many hairbrained rulers are merely trying to save their own-skins by means of the pseudo-smart trick of making the simplest and easiest things seem stupendous and complicated, forgetting that Jesus once said, "Those who want to save their lives will lose them."

CHINESE JOHN THE BAPTIST.

Chengtu
May 22, 1948.

Relief Needed

To The Editor:

Whoever has been in our school must remember the Tien Ling Temple. It is now used as a relief house. The refugees there are in a most pitiable condition. Day in and day out we hear their wails of want. During the past two weeks, because of lack of food and sanitation, these undernourished people have been dying one after another.

We teachers and students of the Provincial Nantung Middle School were deeply moved by the sight. We adopted the slogan, "to help others is a source of happiness" and contributed more than $40,000,000. Small as this sum was, it could preserve their lives for a week or so. We hope that this will inspire the charitable hearts of the public.

The rich people here in Nantung seem to be deaf and blind, and are interested only in profiteering. It is only the poor who take pity on the poor and who can be expected to loosen their purse-strings.

Now it is early summer and soon hot, sultry days will come. The problem of sanitation cannot be ignored. What is needed now is stop-gap relief. If charitable institutions cannot fill the gap, the local governmental authorities must do so.

SUNTZATSU.

Nantung, Kiangsu
May 16, 1948.

Chinese View

To The Editor:

I was greatly interested in reading your editorial "Anti-American Demonstrations" which appeared in the *Review* of June 5. I appreciate your attempt to make a fair and objective analysis of the problem which is now being widely discussed in Chinese circles. I do not believe, however, you have quite understood the mind of the Chinese students in this matter. I am not going to discuss the subject at any length but will confine myself for the time being to a few comments on three of the points which you made in your editorial.

In discussing U.S. Policy Toward Japan you said, "there is no such thing." I do not think you are right in this. In fact you have answered the question yourself when you said later "we fear Russia and, finding China (Nanking) involved in a bitter Civil War and needing support just to keep from falling victim to a Communist-led rebellion, we cannot see this country as a bastion against Communism in Asia. Japan might prove to be the bastion for which we are looking." That, as the students see it, is US policy toward Japan. It is true that in carrying out this policy the United States is involved in a number of contradictions, but these contradictions do not indicate a lack of policy. On the contrary, the existence of these contradictions ought to be sufficient proof that the policy is wrong. To put the matter in a nutshell, this policy constitutes a menace to China. A Japan which is not strong enough militarily and economically cannot serve as a bastion against Communism in Asia. But if Japan is strong enough then, whatever American intentions are, she will eventually become an aggressive nation again and the first victim in that development will be China.

The second point which I wish to make is your reference to the CC as a factor in the rise of the present anti-US demonstrations. While I do not want to deny the existence of this factor, yet I feel that its importance in the situation is insignificant. The present demonstration, much more so than on previous occasions, is spontaneous. The fact that not only leftists but also liberals and even conservatives share in the protest against US policy in Japan,

Multiplicity
As plodding research patiently peels the obscuring layers hiding true knowledge of the causes of disease, doctors become increasingly aware that frequently not one but many influences are involved in pathological processes » »
Because the nutritional deficiencies contributing to human ills are often manifold, the Vitaminerals principle of multiple formulation offers a sound approach to dietary correction in the management of every case » »
VITAMINERALS INC.
3636 BEVERLY BLVD., LOS ANGELES 4, CALIFORNIA

Vitaminerals—China
3rd floor, 220 Wei Fook Road, CANTON
C. C. Fang, Mgr.

Vitaminerals—Hongkong
Pedder Building, G. P. O. Box 241
C. P. Ho, Mgr.

Associate Distributors:

Shanghai Sales Office SHANGHAI
90 Astor House Telephone 42255-Ex. 90

is a clear indication that it could not have been engineered by any single party or faction in the government. We, therefore, should not be misled by the possible part which the CC is playing in this movement into thinking that the students are merely tools in internal politics.

The third point I wish to comment on is your statement that the students "seemed to have no fears over the possibility of trouble from the Russians." In this statement you are judging the students from a vantage-point not of theirs but of your own. The great majority of the students who are participating in the demonstration are sympathetic toward Russia. If that is so, then why should they fear Russia? In their minds the advance of Russia means the spread of socialism, and the spread of socialism means the spread of the cause which they believe in and are actually fighting for. The students do not look at Russia as a foreign country with imperialistic designs as they look at the United States. Instead, they regard Russia as a country which does not need to have imperialistic designs because there are no contradictions within its social system which make imperialism necessary and inevitable.

A CHINESE READER.

Shanghai
June 5, 1948.

Sensible Article

To The Editor:

Your editorial on the anti-American students' movement has been the first sensible article on the whole unfortunate issue I have read in this city. There is one point, however, which you have not laid the necessary stress on, namely, that if our young men would sacrifice as much of their free hours for helping China to be rebuilt, matters might look better here. Apart from that one point, I believe that your way of characterizing the whole movement, its roots and reasons has been most objective. Still, Sir, I am afraid you have not pleased all and everyone.

For, when it comes to policies, all parties concerned try to prove that when something went wrong it was the other who has caused the failure. In the case of SCAP's policy in Japan, however, I think it should be made clear to our students that if matters had been otherwise in China, they would also have been otherwise in Japan. Still, in spite of all, I should like to stress that Chinese students are not by any means the only ones to dislike developments in Japan; if you would care to read what British papers have to say about the revival of Japanese textile competition you would find that Lancashire's protests are worded more politely than those of the Chinese students but are certainly strong enough.

What may have puzzled some of your readers is, if I have understood correctly what you said, that extreme Leftists and extreme Rightists have joined forces in that issue. People think that such strategy is almost impossible. However, the same has happened in other countires and according to American reports, for instance by Louis Lochner, has happened in 1932 in Berlin where Hitlerites and Communists together staged one of the most important strike movements. In politics, it appears, everything is possible.

S. F. M.

Shanghai,
June 8, 1948.

Japan Policy

To The Editor:

From the newspapers we know how US policy is now promoting the economic rehabilitation of Japan. According to the report of the Draper-Hoffman-Johnston mission, Japanese exports will be stimulated in special ways and resumption of "active trade between China and Japan" will be encouraged.

Furthermore, we know, according to the report of the Army, that the US will take unilateral action to settle reparations since it has been unable to secure agreement on this matter in the 11-nation Far Eastern Commission; and also that Japanese reparations are to be slashed to about US$165,000,000, which is far below any previous proposal. In the meantime, large-scale economic aid is being urged to enable Japan to build up its exports to US$1,575,000,000 annually, an amount even larger than that of Japan's exports before the second world war.

So it now appears to us that the production of Japan's industries, with the assistance of US aid, is increasing rapidly while China's industrial situation continues to deteriorate. This is a chilling realization.

It is easy to see that US aid to Japan is on the ground of political and military tactics. She wants Japan to become her intimate, and also a base of operations against Russia. Therefore, if the deadlock between the US and Russia is not broken, the policy of aid to Japan will be carried on in spite of the strongest opposition by the Far Eastern people.

We must point out that the more aid the US extends to Japan, the more Far Eastern people will be aroused against the United States. They will never forget the Japanese invasion. And if the US disregards and neglects these past events, she will be supported only by Japan.

American capitalists may think that after grasping Japanese industries, they can control the source of Japanese economy and Japan can be converted into one of their states, through which they can control all Asia. But the Japanese people will demand their national independence as soon as Japan becomes strong again. Japan is now appealing to the United States, but it is the initial phase of her ambition to again control the Far East and eventually invade the whole world.

Our country is one of the victor nations, and we have the privilege of settling the problems of Japan along with the Big Five and all those who joined in the anti-Japanese war. For the sake of our own nation's existence, as well as the security and peace of the Far East, we demand reasonable reparations from Japan, a limitation on the development of Japanese industries, and prevention of the revival of Japanese militarism. In the interests of the security of Asia, as well as the welfare of the world, the United States must reconsider its whole policy of aid to Japan.

WU SIN-TAO

Canton,
May 31, 1948.

Kuomintang vs. Kungchantang

To The Editor:

Communist criticisms of capitalistic societies favorably impress many of us. We are impressed by the understanding of the economic realities at work in history and society; and the fact that this understanding is so complete that on the basis of it we can make some fairly reliable predictions. We are doubly impressed by the fact that most capitalist-inspired returns to this Communist challenge have been forced to degenerate into name-calling and persecution of the most base and ordinary

EAT AT
Jimmy's
133 Nanking Road
Shanghai
Branch 11-3 Rue Montauban

Tweed
10 Central Rd. Tel. 10431
SHIRTMAKERS
MEN'S OUTFITTERS
WELL KNOWN FOR FIRST-CLASS WORKMANSHIP

WE SELL
Parker "51"
Eversharp
Waterman
Sheaffers &
Various Automatic
Pencils
Your Name Engraved Free
THE SHANGHAI FOUNTAIN PEN CO.
152 Honan Rd. (Central) (11)
Tels. 16069, 14432.

nature, as, for instance, is now true in the United States. This has been the nature and strength of the pitiable counter-offensive.

Communist critiques of modern China and modern America show us Communism at its best. They illuminate the blind spots which so prevent current Chinese and American apologists from thoroughly understanding their own position. It certainly makes sense to me that the present Kuomintang government is a feudalistic anachronomism that, because of its support of vested business interests, traditional land interests, and a vast tolerance for individual plunder and corruption on the part of its leaders, has driven the Chinese people to the brink of complete collapse. I also see distressing plausibility in the account that capitalistic business interests, through the control of both major parties, control the present American government. The end of O.P.A. price controls and the inflation this began, the enactment of repressive labor legislation, the reduction of taxes on upper income brackets, the abnormally large corporation profits of 1947, the declining real wage in America, the panic in anti-Russian propaganda, unashamed support of foreign regimes no matter how fascistic or repressive they may be so long as they are anti-Communist—all these things look very much to me like what the Communists say they are, the natural policy of a capitalist-dominated U.S. government in which the needs of the many are sacrified for the profit of the few. I find both understanding and meaning in the Communist appraisals of non-Communist societies.

But I find Communist insight distressingly limited to an understanding of their neighbors. On the basis of their theories Marxists confidently promise the perfect society in the rule of the proletariat. They promise the withering away of nationalism; and yet Russia, with its continuous absorption of the Baltic states, the Balkans, Czechoslovakia, and continuing pressure on the outlying provinces of China shows distressing similarities to pre-Communist imperialisms. In this "realistic" world, I am a little wary of promises, even when they are repeatedly made by honest and sincere Communists. And I am very much distressed by glaring similarities between the Kungchantang and the Kuomintang.

Both of these parties advocate and depend upon revolution to place them in power. The Kuomintang revolution was largely completed by 1911. The Kungchantang revolution began about 1927, and it is the continuing throes of this revolution that is contributing so specifically to the oppression of the Chinese people. For revolutions are always tremendously costly things, and involve waste and destruction from which neither party profits. The source of strength or power in each is a small group of "party members," who either took responsibility in the revolution and are so rewarded, or who have dedicated their strength and ability to the party welfare. Neither party has any respect for political or civil democracy, though they sometimes profess or pretend such in their empty talk. They both believe in strict and careful control of all information by the government; and tolerate no criticism or opposition in any form (unless they are too weak to prevent it). Enemies of the state are quickly and shamelessly liquidated. In other words, the control of the nation is meant to rest firmly in the control of the party, and the party brooks no opposition. Both of them profess adherence to the same "San Min Chu Yi," and both claim to be the direct heirs of Sun Yat-sen.

This kind of government is efficient and good only insofar as the party leaders are honest and sincere and tireless. This is undoubtedly the case with the Kungchantang now, and I have no doubt but what they can materially raise the welfare of the people. Perhaps this was once the case with the Kuomintang. I do not know, but I have reason to think so. But where are guarantees that the party will not become corrupt or self-seeking, or that corrupt men will not misuse the party? And if this happens, how can this oppression be removed except by long and costly revolution? What guarantees are there that those who speak for the workers, and in their name deny the right to strike, and those who control the party, and in its name eliminate all opposition, will not willfully or ignorantly oppress the people they purport to serve? This is surely *the* cause of failure in the Kuomintang. What assurances are there the Kungchantang will not repeat the

ANNOUNCING NEW

CLIPPER FARE

SHANGHAI TO TOKYO

NOW...

$133.00 ONE WAY

$239.40 ROUND TRIP

(U.S. CURRENCY)

It always pays to fly by Clipper!

Flying Clipper service is frequent and convenient. And you enjoy Pan American's comfortable *Sleeperette** chair-lounges at no extra cost.

General Agents: C.N.A.C. *Cathay Hotel, Shanghai Phones 15757 and 19229*

*Trade Mark, Pan American Airways, Inc.

PAN AMERICAN WORLD AIRWAYS

The System of the Flying Clippers

same mistake? Granted Mao Tse-tung is an exemplary character, and there is improved living in Communist areas. I respect these men for their integrity and efficiency. But it is the power they lack that corrupts. If they should falter or fall, China has no recourse but another revolution; and no nation can afford the waste of men and materials involved in revolutions every 20 years.

Many people, particularly students, see very clearly that the days of the Kuomintang are numbered, and they are frantically searching for something to take its place. Some in despair, and some on the basis of conviction, have allied themselves either outwardly or secretly with the Kungchantang. China surely needs the integrity and honesty of the present Communist leaders, she surely needs an end to the present costly and useless hostilities. But China just as much needs a simple but practicable framework of political democracy, so that she can eliminate governments who would betray her without the pain and terror of revolution.

People who talk about political democracy usually talk about it in an academic sense. They try to solve the problems by writing semi-legal literary creations known as constitutions, or talk in a despairing and futile way about the difficulty of teaching democracy to the peasant. But political democracy is not just an academic play-toy, it is a real necessity. And those who recently think they have been so clever by preserving all the evils of party-dictatorship behind a democratic smoke-screen have done China a greater disservice than they realize by convincing students that democracy is trivial or irrelevant. Political democracy is a real and elemental problem. Failure to solve it may mean that the children of the present students will be forced to tread the hell of their parents and bear the pain of another revolution. For if Communism should fail for the same reasons the Kuomintang failed, there will be no course but for another revolution to remove from power those who with absolute control, suppress the people to achieve their own aims.

A FOREIGN MISSIONARY.

Peiping
June 5, 1948.

English Teachers

To The Editor:

Being an instructor in English, I read carefully all the articles in your *Review*, especially those dealing with the study of the English language. Recently Professor Wang of the National Northwest Teachers' College raised a question which has long confronted Chinese school authorities and students. He pointed out that the trouble is with the teachers rather than with the students, and that the remedy is to lay special emphasis on spoken English and to discharge all those disqualified teachers who are teaching English but who themselves speak no English.

It all sounds very plausible indeed. But, to our disappointment, he has omitted a very important point which is the crux of the problem. He did not tell us where to get the good and well-trained teachers who are so badly needed to fill the posts.

You cannot discharge incompetent teachers because there are few candidates qualified to fill their places. Nor can you eliminate the study of English from the curriculum on the pretext of lack of good teachers.

What makes the situation more delicate is the fact that these poor teachers all possess teachers' certificates issued by the Government. Small wonder they cannot understand the row the modern linguists are making. And, believe it or not, they are promoted annually by the Government, which sends out inspectors to examine them who themselves speak no English!

You can have no say in the matter when the head of the English department, the dean of the faculty, the principal of the school, the English inspector from the Government, and the majority of the professors are not interested because they themselves speak no English.

Unless there is the courage and authority to stop the whole absurd system of the so-called translation method or grammatical method of language teaching, no real innovations can be introduced.

And there would still remain the problem of where to get the staff to fill the vacancies. In my opinion, Professor Wang should have his way, and all poor teachers be discharged. With the few that remain, let Professor Wang set up a radio broadcasting station in Lanchow and broadcast English lessons to students the country over. This would not only fill the long-felt need for good and well-trained teachers of English, but would also save the nation a tremendous amount of fapi that has been wasted on incompetent teachers.

T. L. CHANG.

Foochow, Fukien,
May 30, 1948.

PANTEEN

The First Vitaminized Hair Tonic

Intensifying the effectiveness of Pantothenic Acid is the Panthenol contained in **PANTEEN**, which speeds up the absorption of the life-giving vitamin. A dry scalp frequently is followed by itching, excessive dandruff and loss of hair. **PANTEEN** will stop all these. A vigorous daily massage will keep your hair soft and lustrous and your scalp healthy. The regular, **daily** use of discreetly-perfumed, quick-drying **PANTEEN** will bring an agreeable freshness, will keep your hair naturally neat and well-groomed.

The regular use of **PANTEEN** is absolutely harmless. It has also proved itself efficacious in cases of premature greying, loss of hair and early baldness. Regular rubbing in of **PANTEEN** reduces the falling of hair within a few weeks. Through the daily use of **PANTEEN**, a growth of downy, new hair will appear, gradually developing into natural, normally-pigmented hair.

Human hair grows slowly and real results can be obtained only if **PANTEEN** is used regularly over a period of several months. If the hair-producing organs have not died, however, hair can be grown on a head that has been bald for a long time.

Method of Use: Massage **PANTEEN** well into the scalp at least once a day.

PACKINGS: Friction Size: 18 cc.
Regular Size: 180 cc.
Cure Size: approx. 1 ltr.

PANTEEN is obtainable with or without oil.

ROCHE • ROCHE • ROCHE •

THE CHINA WEEKLY REVIEW
密勒氏評論報
A Weekly Newspaper Established in 1917

The editorial pages present each week the opinions of the editor. The other pages of The China Weekly Review are written by the other members of the staff and the contributing editors who report and interpret the news irrespective of the views expressed in the editorials.

Vol. 110 Shanghai, Saturday, June 12, 1948 No. 2

A Lesson For Nanking

EVER since Sun Fo made his celebrated speech shortly after the beginning of the Pacific War in which he said that unless China got substantial and quick aid from America she might be forced to ease up on her war effort, the Central Government has been receiving—and expecting as its due—a periodic shot in the arm from the United States.

Before Pearl Harbor the United States muddled through one Pacific crisis after another, trading with Japan but at the same time condemning Japan's aggressive acts in China. Gradually official thinking and public support began to shift in China's favor and a trickle of aid was sent to this country. Finally President Roosevelt, through a series of carefully designed "squeeze" plays, backed the Japs up against a wall. This was one of the immediate causes of Pearl Harbor. The Japs felt that they had to fight or give up their dream of world conquest.

Almost from the instant Japanese bombs began dropping upon American soil, official thinking in Chungking began to undergo a metamorphosis. Prior to that instant China had still been pretty much alone, battling for her survival against great odds. Up until then she had received a few paltry supplies from Russia. Britain and America who desired to see Japan checked, but did not desire this enough to risk active intervention. However, with the China Incident expanded into the Pacific War and merged into World War II, China ceased to stand alone. She had allies who in the long run were vastly better able to fight than she.

When the first flush of enthusiasm wore off and it became evident that the unprepared Allies were going to have a long and tough job ahead, official thinking in Chungking began to take a patient and cautious attitude. Prior to Pearl Harbor, Britain and America were the manipulators, trading with Japan, granting loans to China and in general playing a game of intrigue and watchful waiting. Pearl Harbor changed all this. Britain and America had to fight like the dickens to keep from being driven completely out of Asia and also had to prepare for a long and costly future drive to regain what they had lost. With Japan's attention diverted from China to other parts of Asia, Chungking took up the role of manipulator. China could wait. She had already waited nearly five years and she could wait five more if necessary, especially since there was little danger of an eventual defeat.

Chungking, in a measure, was merely paying back the Allies in their own coin. She had born the burden of a war, which all thinking people had long realized was everybody's fight. Now she could sit back and let the others carry the lion's share. There were, of course, several justifications for this. China had certainly done her share, the country was exhausted and actually incapable of any great or sustained effort. The Central Government needed a breathing spell.

This might have been all right if China had gathered her strength during this period so that she could have expended it when it was needed later. However, the relaxation was pleasant for many members of Chinese officialdom who already were tired of the long struggle. Attention turned to private matters, morale of Government employees sagged, corruption increased and inefficiency reached a new level.

When the counteroffensive began, opportunities for profit were opened. American installations were built at a cost padded beyond all recognition. Every American who entered China after Pearl Harbor became a bearer of tribute in the form of profits for individuals and the Central Government. Various devices were used such as scandalous overcharging for food and services and the maintenance of a wholly unrealistic exchange rate.

This "relaxation" upon the part of the Central Government developed into a habit with—as we can all see today—near fatal consequences. Not only did the Central Government devote less of its energies to fighting the war, but it appeared to devote less and less of its time to proper administration. Attention to many urgent matters was deferred until the end of the war. "After the war" became a popular phrase and an excuse for not performing functions of office. The postwar days were indeed to be palmy, everybody would be happy and prosperous. Chungking was able to get away with such reasoning since it had a temporary but firm hold on Britain and America who could always be counted upon for a few more dollars or a few more airborne supplies in a crisis. Largely because of this attitude, however, the Government met VJ Day completely unprepared. The Government was confused; it was stuck off in the hinterland thousands of miles from the areas where it would need to have officials and troops in a matter of days. The Government, used to coasting along on the tide of the Allied war effort, had made no plans and, what's more important, through inactivity had become atrophied.

Chungking suddenly awoke to the fact that the Chinese Communists, who had largely been sandwiched between Government and Japanese troops, were now freed for a rapid expansion into those very areas of China where the Central

Government wanted to go and couldn't. American aid was again supplied and what has been described by General Stratemeyer as the greatest airlifting operation in history began. While Communist troops trudged along the roads and paths—according to plan—Chungking, which had no plan, was again saved. Orders were sent to the Japs through General MacArthur in Japan that the enemy was not to surrender to Red troops, was not to stop fighting if Red troops tried to force surrenders. Thousands upon thousands of crack, American-trained Chinese troops were flown from as far away as Burma to the cities of Canton, Shanghai, Nanking and Peiping.

In an effort to compensate for its lack of planning and inability to function, Chungking made deals with Japanese troops, with puppet troops and administrators. By the skin of its teeth, the Central Government managed to get back to Nanking and occupy most of China. However, the lesson learned at VJ Day seemed to have been forgotten, if it ever actually was learned.

When peace talks broke down, Nanking began an ambitious military campaign against the Reds without realizing what it was up against, without realizing that it had long ago forgotten how to function well, without realizing the extent of the dry rot within its own organization.

* * *

FOLLOWING the resumption of Central Government power over most parts of China, the United States undertook to fulfill its obligations, its promises made during the crucial days of battle. It attempted to give the Central Government the necessary material, financial and technical aid to enable it to reestablish itself and get China back on the road to progress which had been interrupted nearly a decade before by the Japanese invasion.

More troops were trained and equipped so that Nanking could have a decisive edge in the Civil War. Lend-Lease supplies which could not be transported to China during the war were poured in. Surplus property in the Pacific was sold at a fraction of its original cost, about a half billion US dollars' worth of UNRRA relief and reconstruction materials were given China, airplanes and naval vessels were transferred free or at nominal cost. The Central Government had more American material supplies and money at its disposal, not to mention crack troops or alien property confiscated from the Japs and Germans, than it ever before had even dreamed of having. That was two years ago. It is unnecessary to point out that today there is virtually nothing left and that the Communists, rather than being liquidated, are stronger than ever.

Now, once again, America has been called upon to bolster up the present regime because it is about to collapse. Once again US money, supplies and advice are to come to the aid of the Central Government. Nanking once again claims that its troubles are not of its own making and that it is America's duty to come in and save the situation. The Japanese, the Chinese Communists and the Russians are to blame. Even America is to blame because it has been so niggardly with its aid. According to the boys in Nanking, everybody is at fault but the Government. From where we sit, though, it looks as if everybody has done more than his share except the Government.

* * *

THERE is a lesson for Nanking in this recital of a sorry and shameful history of the past few years. It will be most interesting to see if at least the lesson has been learned. While we are inclined to doubt that the events of the past have made any impression, we are aware that a lot of intelligent and capable men in Nanking realize the mistakes and are actively trying to avoid them in the future. They are battling against heavy odds.

The method in which the present aid program was obtained from Congress should in itself be a warning to Nanking. It did not come easily and the help is not being given gladly or graciously. China became a political issue in America and the fact that any aid was granted was largely luck. Despite the urgings of a few of China's most vocal friends, such as former ambassador William Bullitt, Congressman Walter Judd and lace importer Alfred Kohlberg, whose public utterances usually are more emotional than realistic, Congress took a stern view of the Central Government and has tied up the aid money in such a way that Nanking is to be handled much like a baby who needs to be spoon fed. The child is not to be permitted to get its hands on the entire bowl of food; it will get it in single mouthfuls personally administered by a mature adult so that there is only a slight chance of its being spilled on the floor and wasted.

The comments of the House of Representatives in passing the necessary legislation appropriating the money for the China Aid Program are a thinly veiled rebuke to Nanking. It is clearly implied that Congress doesn't trust the Central Government. This is a severe loss of face for the Government. Unless there are some positive accomplishments resulting from the present aid program, this Government, we are willing to bet, will have seen the last of the easy money from Uncle Sugar. The current aid program involves infringements of China's sovereignty which Nanking would not have stomached two years ago. From a position of near complete sovereignty and good government in 1936, China progressed to complete sovereignty and increasingly poor government. Now a little sovereignty is being lost. The significance is clear.

Red Infiltration

The student demonstrations against American policy in Japan are the result of Communist activities among the students, says Pan Kung-chan, head of the Shanghai City Council.—*China Press.*

A resolution was presented to the Legislative Yuan urging the Government to take "emergency steps" for preventing the resurgence of Japan under present American policy in that country.—*China Press.*

The Shanghai Fire Trap

LAST weekend's fire which burned out nearly a square block in the downtown area should once again emphasize all too clearly the fact that Shanghai is probably one of the largest fire traps in the world. While Chinese cities are—by Western standards—very poor fire risks because of the chronic overcrowding, narrow streets, etc., the situation in Shanghai is much more dangerous because of the size of the city. Although a fire may break out in a villege just as easily as in Shanghai damage cannot be so great simply because there is less to burn. Also it is relatively easier for the people to get to safety since the buildings are not so high, open country nearer, etc.

When you have a city as big as this one, the risk is so great that construction methods excusable in a village will not do. More than 100 people were injured and nearly a score killed in last week's fire, which began with an explosion of chemicals stored in a warehouse. Shanghai's fire and police departments reportedly did a thoroughly competent job, with the only shortcomings being the lack of good fire fighting equipment. This is a serious lack, which we and other local publications have commented upon frequently. The city's fire engines, hoses, etc. virtually all date from prewar days and not only are not the latest word in equipment, but are largely worn out.

Shanghai has a good fire department with well-trained, competent men. It is unfair to expect them to function efficiently with trucks that sometimes will not start, hoses that have so many holes that only a trickle reaches the nozzles, water pumps which fail to function, ladders which cannot be raised and so on.

* * *

THE remedy for this situation calls for several changes. First and foremost, the city authorities must develop some mechanism which will solve the problem of storage of inflammable materials in crowded areas. Perhaps it is too much to expect during these difficult days that exactly proper methods of storage can be enforced, but it is necessary and urgent that chemicals, petroleum products, and other materials generally considered as dangerous be removed from crowded business and residential areas.

This is a big problem, we realize, because under the present economic difficulties all of us are facing, there is a great temptation to invest any surplus CNC in some commodity so as to minimize the effects of the inflation. Small merchants, as well as professional speculators and hoarders, are doing this all over town. Virtually every downtown building has a few drums of hoarded gasoline or kerosene stored in dark corners, not to mention other explosive or easily burned materials.

A police campaign to enforce existing regulations—which are really not too good—against storage of materials constituting a fire hazard is called for. It will be a difficult undertaking, but it must be carried out unless we wish to risk future block-wide fires.

Another urgent requirement is the inspection of buildings for other types of fire hazards such as the construction of bamboo huts atop down town buildings and their erection in alleyways already so narrow as to prohibit easy passage of a fire truck.

Lastly, the fire fighting equipment must be improved. We don't know how much money the municipality has spent for new equipment since the war, but we would be almost willing to bet that not as much has been spent in the past two and a half years as was normally spent each year before the war. The city is hard up, but it should be able to provide for such essential things.

Building Up South China

ALTHOUGH the Government continues to give assurances that it has no plans for abandoning North China, and points to the fact that garrisons are still being maintained in Manchuria, it is becoming clearer with each passing week that public confidence in the Government's ability to hold the north is falling rapidly.

If one surveys the events of the past year, it is easy to see which way the tide is running. Manchuria, for all practical purposes, is gone. North China is fast becoming a liability, while Central China is not completely safe from marauding Communist troops, and even South China is not entirely free from guerrilla activities.

Until the recent order prohibiting the removal of factories from Shanghai, many firms were moving to Hongkong and Canton. Some firms have moved from North China. Recently it was announced that the Tangshan Iron and Steel Works, possibly the most important such plant in North China, is being dismantled preparatory to shipment to South China.

The idea of moving such large enterprises as manufacturing and industrial plants to South China presupposes an ability on the part of the Government to keep South China free from serious Communist inroads. It also presupposes an ability to develop South China's resources to a degree never before attempted. Certainly no one can expect the Tangshan Iron works, for example, rely on imported coal and iron. The movement of this one plant alone is a challenge to the South China authorities. The plant's presence in the south should be an impetus to plans for the development of the iron deposits on Hainan Island and coal and iron reserves else-

where. Similar cases may be drawn for other plants being moved to the "rear" areas.

* * *

HOWEVER, as things stand now the prospects for these industries in South China do not seem particularly promising. First, the task of development is very likely beyond the powers of this Government. If Nanking has not been able to develop Central and North China sufficiently well to prevent the natives from becoming infected with communist sympathies, what reason do we have for believing that a miracle can be accomplished in South China?

The Government officials are the same men, and it is unlikely that moving them to warmer climes will suddenly make them any more efficient or any more intelligent. True, the area will be smaller and thus easier to handle. Also, the prospect for American aid is greater, but then American aid has been staggering already. For the past six months or more, Nanking has been lavishing attention on the South. T. V. Soong, ace administrator in the Western style, has been sent to Canton with sweeping powers over the entire South China region. Banditry, peasant discontent, inflation, etc. are as bad as ever, according to press reports.

From where we sit, the chances look slim, However, it is certainly an interesting development and if the Government can swing it, this move to the South may have tremendous repercussions. It may enable to the Nanking regime to stalemate the civil war and thus lead to a settlement of some sort. Also it may give South China a long needed chance for development of its natural resources and industrial potential.

Financing Competitors

SENATOR Owen Brewster is reported by a press agency dispatch from Washington as saying that the British are spending up to US$50,000,000 per year on airplane research which threatens to put them ahead of the US in jet propelled commercial planes. Brewster is also reported as saying that the money the British are spending is put up by America in the form of loans.

The agency story doesn't make it quite clear what the senator is aiming at, but we presume that he is complaining over the fact that the British, although nearly broke and dependent upon American aid, are nevertheless spending good money on aeronautical research and, what's more, are presumptious enough to challenge the US—its financial benefactor—in the air. If we interpret Senator Brewster's remarks correctly, he would have the British banned from scientific advance in the air so long as they get money from America. This would assure American supremacy in the air.

If this is the senator's position regarding airplanes, we can only conclude that he would follow the same reasoning in other matters and with other countries. Since US shipyards are now partially idle and since the US has a lot of surplus ships lying around, the administration in Washington should require Italy, which is receiving financial aid to destroy her shipyards. Carried to the ridiculous, China, which is receiving Louisana rice should be forced to plow up all the country's rice paddie if she expects any more American aid.

Shortsighted men, representing special interest groups, can, we suppose, always be counted upon for such lame-brained thoughts.

Chinese Holdings Abroad

ACCORDING to press reports last week, a group of Legislative Yuan members have begun to draft a measure calling for the expropriation of individual Chinese holdings in foreign countries. This is an old question which has been brought to light several times during the past year or two. It fits into the same category as the "soak-the-rich" tax plan. Both moves, to some extent, are just additional manifestations of the complete lack of realism evident in official tax thinking.

Last week we discussed the imposition of likin in certain North China areas and delivered ourselves at length of an opinion about Chinese tax thinking. This latest move in the Legislative Yuan, however, brings up another angle to the tax thinking of some individuals.

In the first place it is most unlikely that even if the Legislative Yuan should pass a ruling ordering the surrender of all private holdings abroad by individual Chinese that it could be enforced. The Central Government's system of control over the class of privileged citizenry sufficiently wealthy to have holdings abroad is not too good. Since the control at this end is not sufficiently strict such a measure is almost certainly doomed to failure because the American Government has been rather reluctant to disclose the necessary information to the Chinese or any other foreign government.

In America, so long as a man pays his taxes and is not suspected of illegal financial manipulations, his banking or other investment activities are his own business and of no concern to the American Government or any other "outsider" be he American or alien. Recently, though, the US Treasury did cooperate with the French Government in attempting to smoke out French hoarders in America. This was a radical departure from established practice and was done only after about a year's negotiations between the two governments and because the United States felt certain that the French Government would use the monies obtained for good purposes and also because the French Government set up a system whereby the holders of hidden deposits in America were able to dispose of them without serious financial losses.

Presumably, if the appropriate Nanking authorities seriously approached Washington with a sensible and concrete scheme for utilizing the hidden American hoards of individual Chinese citizens, some agreement might eventually be reached. However, as most of us are aware, Nanking is not likely to pursue the matter so far.

The current campaign in the Legislative Yuan, in our view, is largely political and has not been initiated with any real belief that its stated objectives can be reached. First, it is good publicity for the home front. It may convince many people, especially the little guys upon whom the major part of the present financial burden falls, that their government has not forgotten them. Secondly, it serves as a small annoyance, an embarrassment, to many people in the Government itself.

Since the Legislative Yuan is largely dominated by CC Clique supporters, it is not difficult to see just which groups or individuals the measure is designed to annoy.

* * *

THE move to expropriate holdings abroad and the soak-the-rich plan are merely two more examples of official fiddling while the country burns. Both moves are largely impossible of achievement because the very people who would be called upon to enforce them are the ones against whom they are directed. Every wealthy and vested interest, no matter whether in China or any other country, resists any moves aimed at making it any less vested or wealthy. While time has modified this feeling a little in places like America where, for example, a graduated income tax is now considered as inevitable, even by those most heavily hit, such a feeling has yet to make its appearance in this country.

The Chinese people have learned through centuries of periodic crises and changes of government that the individual must rely largely upon his own abilities and efforts. Therefore, the idea of not fighting to the death any measure aimed at taxing is an insane one. By the same token the average Chinese only smiles when one mentions public duty or some other such phrase as a reason why he should voluntarily disgorge some of his property.

There is always the exception to prove the rule and in this case it is apparently Shanghai's unusual mayor, K. C. Wu, who at press time is reported to be the only Chinese in China who has voluntarily contributed to the soak-the-rich campaign. Unfortunately Mayor Wu's example does not seem to have shamed anyone else into doing likewise; rather it seems to prove that the generally accepted view is to hold on to your money.

* * *

AS we said last week, what is needed is a thorough going reform of the entire tax system *and* of official thinking about taxation. Once a sensible tax program is instituted a great deal of the public resistance to payment will be weakened. If the public is convinced that taxes are just and reasonable—and that there is no escape from them—collection will be easier and, we believe, more revenue obtained. Until such a system is inaugurated, virtually everyone will do their darndest to escape normal taxation and their double darndest to escape extra or "special" levies.

25 Years Ago In *The Weekly Review*

"Self Help" Needed

June 9, 1923.

If only there were some way to arouse the people, some means of developing a national will strong enough to exert itself, the China problem would start to solve itself. There is no true friend of China who would not prefer seeing China work out her own salvation to witnessing a program built on international receivership, but until a real national consciousness comes into being there is little to which to pin hopes for real progress without assistance.....If foreign powers do come into China to help disentangle the affairs now, or in the near future, they cannot work out a permanent solution until the Chinese themselves have developed that spirit, the lack of which licenses banditry and invites political corruption. Ultimately the solution of the China problem rests with the Chinese and the solution that solves it must have as its basis a spirit which makes a national cause the sacred cause of the individuals of the nation.

* * *

Chinese Girls Modernized

The Chinese girls have been modernized. In the cities, if not in the country, you will see they go to schools the same as the boys. They do exercises and gymnastics and play games with grace in performance and infinite benefit to themselves. Some of them interest themselves in politics; so-called suffragettes are found in different parts of the country. We shall soon have the feminist with us—I fancy we have her now.

10 Years Ago In *The China Weekly Review*

Communists Liquidated

June 11, 1938.

Revealing for the first time the arrest of 1,300 alleged Communists throughout Japan eighteen months ago, officials of the Home Ministry last week claimed Communism in Japan was "near extinction." Radicals spared by the dragnet spread on December 5, 1936, were arrested by the anti-Red squads of the Home Office....Kenji Tomita, Director of the Ministry's Police Bureau, told the press that it was "gratifying to see that Japan is able to pursue her sacred war with all sections of society united in a national front." The secret nationwide raids of December 1936, the officials claimed, had put an end to the Communist Party as an independent, active organization. The subsequent raids, they added, had resulted in the elimination of other radical bodies, such as the Farmer-Labor party.

* * *

No Reasons To Import

Well-informed financial circles state that the Chinese authorities will refuse to grant permission to companies to buy exchange for the import of foreign cotton. It is reported that China has very good cotton harvest this year and there is no reason to import cotton from foreign countries.

Red Purge In Japan's Hollywood

Hugh Deane

Tokyo, (Airmail).

THE purge of the Japanese film industry, rumored ever since the Hollywood Red Probe, has begun with the dismissal of 276 employees of Toho Motion Picture Company—Communists, people alleged to be Communist sympathizers, and active union members. Included in the group are Takeo Ito, chairman of the All-Japan Film and Theater Workers Union (12,000 members), and a score of well-known actors, directors, scenario writers and cameramen. Additional dismissals will follow, Toho executives have announced, and other studios are expected to take similar action.

Few Friends

The union, which knows that its existence is at stake, is fighting back as best it can. It has refused to accept the discharge notices and has appealed its case both to the Central Labor Relations Board and to the public. Thirty publicity units of union members are touring theaters and other unions to explain the issues.

But, as leaders of the union recognize, the atmosphere is unfriendly. The union has few friends in General MacArthur's Labor Division, and the government, its eyes on American credit, is intent upon the "political and economic stability" which the Draper Mission recommended. Premier Ashida believes that the labor laws should be revised "as a measure to attract foreign capital."

Since the war Toho, which is Japan's largest and best-equipped motion picture company, has made a number of outstanding films. "War and Peace," an anti-war film with no relation to Tolstoy's novel, survived even severe censorship by the US authorities. (One scene cut out showed the hero watching a workers' parade approvingly.) "Builders of Tomorrow" was a somewhat sentimental story about the growth of the labor movement after the war. It explained why workers should join unions.

Films Abandoned

A few months ago, however, Toho abandoned a projected series of films about particular labor unions, discarding a completed scenario about railroad workers called "Man of Flames." The director of "War and Peace," Fumio Kamei, and several of those who worked on "Builders of Tomorrow" are among those now dismissed.

Toho also has decided not to produce "Woman of the Great Forest," a scenario about repatriates who began a new life in the lumber camps of Hokkaido, because leftists were to have a hand in its making. Yoshi Hijikata, Japan's leading theatrical producer and an avowed Communist, was to be co-director. Hijikata, who spent the war in prison, is particularly noted for his productions of Shakespeare. By obtaining the assistance of a research group of Shakespearean experts and translators, he has developed a technique of rendering Shakespeare in colloquial Japanese.

President Tetsuzo Watanabe of Toho—said by the union to be merely a stand-in for Ichizo Kobayashi, the wartime president who was subject to the purge ordinance—claimed in statements to the Japanese press that the dismissals were carried out for "economy reasons." To me, however, he stated frankly that he was determined "to rid Toho of the Reds as well as red figures." (Toho lost money last year.) Toho, he said, was a nest of Communists, "the real party headquarters," and he aimed to break the hold of the union even if he had to lock the workers out of the main studio.

He said that he was acquainted with the investigation of Communist activities in Hollywood and that he was applying his knowledge to the problem at Toho.

He showed me a pamphlet written by him called "Important Developments in the Labor Policy and Anti-Communist Movement in the United States and Their Effect on Labor Policy in Japan." He said that he had circulated it among Toho executives, outside business groups and political parties so as to demonstrate "the need for a more militant approach to the Communist problem." The source material, he said, came from the Japanese Foreign Office.

Jap Taft-Hartley Law?

Discussing the Taft-Hartley law, Watanabe predicted, "Unless Japan adopts a similar law, it will be in the same plight as France and Italy within a year."

To substantiate his statement that Takeo Ito, the now discharged union chairman, is a Communist sympathizer, Watanabe brought forth minutes of executive conferences attended by Ito. He pointed out that Ito had once said, "The (Toho) enterprise must be popularly guided. It must maintain close contact with the Labor Union Film Council and the New Dramatists Association." Another incriminating statement made by Ito was, "The Japan Teachers Union is a large organization and a film could be produced concerning it."

As an example of how widespread the activities of the Communists are, Watanabe showed me a bundle of petitions and messages from various unions protesting the decision not to produce "Man of Flames," the film about railroad workers.

No Red Propaganda

Asked if "Man of Flames" contained any Communist propaganda, Watanabe replied that it had contained none whatsoever, since it had been revised 17 times before being finally rejected. In the end, he said, even the Ministry of Transportation had been anxious to have it produced. But Ito and the rest of his group had continued to favor production and by turning it down he had struck a blow at their prestige.

Relating how a group of electric power workers had called upon him to ask if Toho was going to produce a projected film about their union called "Flowing Snow," Watanabe said that he had replied with an "emphatic *no*." "The trouble with films concerning unions," he explained, "is that they show the dark side of Japan."

TWO VIEWS FROM BRITAIN

Punch

"You see what happens! We defeat the Carthaginians in battle and then have to spend all of our money feeding their wretched elephants."

Punch

"I'm from the Institute of Public Opinion, Mr. Methuselah. Do you consider controls will ever be lifted in our lifetime?"

THE FOU HSIN MINE: A LINK IN THE CHAIN OF DISASTER

Li Li-fan

THE Fou Hsin Mine in Manchuria is once more staffed only by a Maintenance Committee. While peak daily production, under Japanese management, was 15,000 tons, only 30,000 catties (approximately 20 tons) of coal were exported during the first three months of 1948. The mine produces coal of the finest quality. Mr. Sun Yueh-chi, Director-General of the Coal Mining Administration, estimated that it would supply 37 percent of the requirements of the Resources Regulation Commission for the Northeast and, in addition, not only ship to Chinwangtao, Hulutao and to southeastern China but furnish sufficient coal for export to provide foreign exchange for the purchase of mining equipment from Japan. At the present time, however, the mine appears to have no future. In the story of the struggle for possession, rehabilitation and reorganization since VJ Day and in the ultimate failure in the face of China's crying need lie the unsurmountable impediments which China faces today in seeking industrial recovery and development.

History Of Mine

Hsu Ning, in the *Ta Kung Pao*, has traced the mine's history. In 1934 the Manchuria Coal Corporation, a monopoly organization, controlled the mine but in 1936 the Fou Hsin Administration was formed to manage its increasing operations. The crude methods formerly employed were replaced by modern machinery. Further prospecting was accomplished which not only confirmed the richness of the coal deposits but resulted as well in the discovery of petroleum. Communications were improved and the population increased rapidly in the district. By October, 1939, 34,000 workmen were employed to produce 10,000 tons daily. Production was later increased to 15,000 tons.

As the war entered its later stages, the Fou Hsin Coal Mining Company, with others of the larger mines, was reorganized into an independent unit in October, 1944, with a capital of Manchukuo $220,000,000.

With the Japanese Surrender, the Soviet Army took over the mine and proceeded to dismantle and remove large quantities of the machinery, inciting the Chinese to assist in the destruction in retaliation against the Japanese. In October of 1945 Communists possessed the mine and formed the Fou Hsin Mining Administration with branch committees in charge of various operational units. With the withdrawal of the Communists in December the equipment again incurred immeasurable damage. What Hsu Ning has termed a "Self Restoration Maintenance Committee" for the mine was formed and this committee handed over the mine to Government authorities shortly thereafter.

Mr. Kuo Hsiang-jui was sent in January, 1946, to undertake the possession and rehabilitation of the mine. He reported that "The Maintenance Committee was looking after the welfare of the 40,000 workers still there, but the Committee was incapable of continuing the operations of the mine. Raw materials were everywhere, but there was no single statement from which a systematic record of the assets could be reckoned. Modern buildings were located all over the hills, but most of them were damaged. Only the hospital escaped destruction. The situation was tragic from the viewpoint of national interests but, for individuals, it presented a golden opportunity to enrich themselves. I called together my colleagues and told them that we must not repeat here the mistakes of officials inside the Great Wall who, in taking over, had enriched themselves." Mr. Kuo made his men promise, further, that they would neither molest the Japanese women who occupied the hospital nor show any hostility toward the 3,000 members of the Japanese management who were needed in the reorganization of the mine. Kuo recognized that only by the display of a correct attitude and by the maintenance of discipline could his small group of officials avoid revolt among the workers with the Communist forces a constant threat. His integrity is revealed by his instructions to his staff, quoted by Hsu Ning: "Let us prove ourselves worthy of our trust. Let us show the people that we have come to perform a duty, and not to act as bureaucrats."

Daily Wage System

With limited funds and little help from the Manchurian Headquarters of the Generalissimo, Kuo and his staff achieved active production in all but two of the units of the Fou Hsing Mines within a year. He established a daily wage payment system by which wages were both computed and paid out daily to the satisfaction of both the administration and the laborers. Production rose from the 300 tons produced daily when Kuo took over the mine to 3,500 tons toward the end of 1946. The total production for the year was 800,000 tons, about 20 percent of the average production in previous years. Of the 1946 production, 560,000 tons were shipped out of the mines. The railways took 67 percent while the Government offices and industrial plants took 16 percent. A few tens of thousands of tons were exported to Shanghai.

In October, 1946, the National Resources Commission officially took over the mine. The Fou Hsin Coal Mining Company, Ltd., was formed and Kuo Hsiang-jui was appointed General Manager. Peak daily production of 5,000 tons was reached in the early part of 1947. Twenty-four of the 38 pits were being worked. Twenty-four railway carriages served the mines. Stocks of supplies were sufficient for continuous operations for some time to come. But from that time on problems created by the inflation grew increasingly difficult. Kuo was forced to abandon his daily wage system. Under the Japanese the daily wage paid had been $13.50 which purchased 15 catties of kaoliang. In January, 1947, the wage had been raised to $150; kaoliang was then $9 a catty. By September the daily wage had risen to $1,500, the price of kaoliang to $500. The administration was obliged to give, in addition to the wage, rations of food. By January, 1948, the price of kaoliang had risen to $2,500 and it was impossible for the administration to adjust wages to cope with this new price level. The only solution lay in bringing in food supplies. But in the progress of the civil war Fou Hsin had become one of many isolated islands and when the defending garrison finally withdrew on March 19, the food supplies were almost exhausted.

In October, 1947, it was necessary to evacuate one of the six principal units, the mine at Hsin Chiu which produced half of Fou Hsin's total production. The Communists occupied Hsin Chiu only three days, from October 17 to October 20 but during those three days they dynamited important machinery. The loss has been estimated at US$2,000,000. The restorative work of 22 months was destroyed in three days.

It was hoped, at the time, that the Manchurian Headquarters of the

"INVITATION TO ANARCHY"

President would allot $15,000,000,000 in North East currency for the mine's restoration. But the restoration would have taken a minimum of three months and there was too much danger of further destruction. Communication lines were disrupted. The Fou Hsin-Chinchow railway was destroyed. Mr. Kuo decided in November, 1947, upon withdrawal of the staff to within the Great Wall. The laborers were released with three months' pay. Left behind were only the number needed to care for the mines and these have organized themselves into the second "Self Restoration Maintenance Committee." In leaving, Kuo told these workers, "What belongs to the State also belongs to the people, to me and to you. Let us try to prevent further destruction."

Mine Nearly Isolated

The Fou Hsin mine is now almost completely cut off. Only 30,000 catties of coal were brought out during January, February and March. Already the coal shortage is being felt in the Chinchow area which must now beg its coal from Kailan inside the Great Wall. Mr. Kuo, so recently the Manager of the Fou Hsin Coal Mining Company, the most important coal producing concern in Manchuria, is now investigating a mine at Ning Hsian, in Hunan which produces scarcely 2,000 tons a day.

So, while the world calls upon China for industrial progress, her richest coal deposits lie wasted, the machinery ravaged needlessly. The failure is not an individual failure. It is but one link in a long chain.

CHINA'S RELATIONS WITH TIBET

Shenchi Liu

(This is the second of a series by the author, former secretary of the Mongolian-Tibetan Affairs Commission and recognized student of China's border regions. In the previous article, Mr. Liu discussed the British approach to Tibet. This article deals with Tibet from the Chinese side, while the third and concluding installment will present the case of the Tibetans.—Editor.).

WHEN a Chinese writes about Tibet in English, he has some difficulty in terminology. Names like Mongolia, Manchuria and Tibet carry in English, and hence in other foreign languages as well, the notion of a separate unit not only geographically, ethnologically and culturally but often also politically from what is known as China Proper.

To the average Chinese today, however, such notion is partially or totally foreign. A case in point here is that when a Chinese uses the word Tibet, he is referring primarily to an administrative unit forming part of China with or without its ethnological and cultural connotations; and conversely when he uses the word Chinese, he certainly includes the Tibetans. In other words, the political notion such as one finds in English is certainly not there.

In political parlance, therefore, when Tibet is mentioned in contradistinction from the rest of China, suffixes such as "borderland," "frontier region" or special area" are usually employed; while the terms like "mainland," "inland" or "interior region" are generally used to denote the part of China known to foreigners as China Proper. This comparatively broader notion of the word China in the Chinese language, which might appear somewhat imperialistic to foreigners, has become so natural with a Chinese that he has ceased altogether to question it. He knows that one of the first articles of the Constitution of China lays down the absolute equality of the 5 members of the Chinese family, namely Hans (Chinese), Manchurians, Mongolians, Mohammedans and Tibetans. And so long as he is sure that a Tibetan enjoys the same legal, political and social status as himself and suffers from no lawful or unlawful discriminations or inhibitions, he sees no injustice in including the latter among the same political framework of the Republic of China.

The above statement sums up in my opinion the mental attitude of an average Chinese toward Tibet as well as his moral justification for it. Whether this attitude be the result of a typical Chinese self-complacence or his often gross ignorance of what is the real state of affairs, it is a fact to which we must give due recognition while treating the problem of Tibet.

However if one probes a little deeper into the matter, one comes to numerous other causes which however flimsy and superficial individually are collectively powerful enough to mould a nation's psychology. Let us try to examine a few more important ones.

Royal Alliance

First of all, there is the sentimental tie of the royal alliance between two Chinese princesses of the Tang dynasty and two of the mightiest Tibetan kings in the 7th century A.D. Though China since coming into contact with her various unruly neighbors from the 2nd century B.C. had experimented on this unusual diplomatic strategy on several occasions, yet never was she able both before and afterwards to produce such all-pervading and lasting effect as these two princesses left on Tibet both in regard to its internal developments and its relation to China.

We are of course alluding to the conversion of Tibet to Buddhism. Opinion is at some variance as to whether it was China or India who first introduced the Buddhist faith to Tibet. Yet there seems to be no dispute that it was through the personal influence of these pious princesses over the kings they married and a third king one of them bore to Tibet that the new faith became so widely and deeply spread in Tibet as to stamp its whole character which it retains to this day. To the family-minded Chinese, this blood relationship possesses a most fascinating appeal.

This immediately brings us to the second bond between China and Tibet, the bond of religion, a subject of much contest and no little misunderstanding. Some European critics with what I fear to be a partial understanding of Confucian concepts in regard to nature and the supernatural have branded the Chinese a non-religious people; and hence they conclude that the so-called bond of religion between the peoples of borderland and the interior of China is nothing but a political slogan.

First of all, I doubt very much whether Confucius could be a non-religious man. He might have believed in no particular God indeed, but certainly, like a modern pure religionist, he believed in the existence of the God. And with very superficial exceptions, the same attitude toward religion prevails with the Confucian scholars who compose the nucleus of the Chinese intelligentsia.

Then secondly, even if these Confucian intellectuals are non-religious, they constitute only about 10 percent of the vast Chinese population. The remainder of the Chinese people are predominantly Buddhists or what we might call Buddhist sympathizers. Perhaps one has to admit that they are not such devout Buddhists as the Tibetans; but then it is difficult to find such Buddhists as the Tibetans anywhere in the world.

Then in the third place, even among China's intellectual elite, in her long history there has risen such a fine crop of Buddhist scholars that they evolved a special school of Buddhist philosophy known as "Jan Tsung" which besides spreading overseas to Japan and converting a

good part of the intellectuals there came near conquering Tibet in the middle of the 8th century. It is of course a well-known fact how Chinese literature has been influenced and enriched by Buddhism.

Then fourthly Buddhism, like all religion, should not be narrowed down to a mere church and prayer basis. Indeed Buddhist influence in the East where material civilization and human institutions are less developed than in the West goes to a much deeper level and is to be found at the root of all social customs, moral codes, personal conduct and philosophy of life. When judged on this broad basis then, many similarities noticeable between a Chinese and a Tibetan can be traced to this spiritual affinity.

Then aside from all above, one more tie which must not be underestimated is the mysterious hold of the Dalai Lama on the people inhabiting the west and the northwest provinces of China and perhaps to a less extent on all the Buddhists in the interior. Thanks to a consistent patronage policy adopted by the Chinese Central Authority from the 13th century down to the present, the Dalai Lama has come to assume the full importance of the Pope of Buddhism and Tibet the Holy Land to all Chinese Buddhists. For the final authority on Buddhism, all Chinese will turn to him unanimously. If this had been the case with the previous Reincarnations, then Chinese attachment to the present 14th Dalai Lama must be doubly strong. As I need not say, the present Reincarnation hails from a Chinese family in Sining, capital of Tsinghai province.

Politico-Religious Tie

This of course leads us to the third tie, I mean the century-old politico-religious partnership between the Central Authority of China, as symbolised by the various Emperors, and the supreme religious authority of Tibet and Chinese Buddhists, the Dalai Lama. Certain European critics have proved that Tibet has seldom been subjugated by outside invaders and has even more seldom been ruled effectively by China.

One must concede that this is generally true. Only we must add that China never really wanted and hence never seriously tried to conquer Tibet. First of all, Tibet, because of its geographic remoteness to interior China, was no doubt in those days of slow communication a formidable military proposition. Then secondly, the people of Tibet since they embraced Buddhism were never a problem to China. However, China being fully appreciative of the personal stabilizing influence of the Dalai Lama over the people inhabiting her West and Northwest found it wise to exercise a certain amount of supervision over Tibet's political and external affairs in return for the patronage and protection she extended him.

On the other hand, the Dalai Lama, equally esteeming the prestige and help to be gained from a Chinese patronage, willingly lent his personal influence to the maintenance of peace and order in China's West and Northwest. This politico-religious partnership began with the Yuan dynasty (A. D. 1206-1368) when there was even no Dalai Lama. And it was certainly due to this same partnership in the Chin dynasty (A.D. 1583-1912) that he came to assume the concurrent role as the political sovereign of Tibet.

First Dalai Lama

The first Dalai, as we know, was a disciple of Tsongkapa, a pure religious reformer and founder of the Falu Sect, more commonly known as the Yellow Sect. During the period from the 1st to the 4th Dalai, i.e. from the end of the 14th century to the last quarter of the 17th century, the Yellow Sect to which they belong thrived only within a small part of Tibet while the greater part was under the more powerful sects of Gagyur and Sachya. And even amongst his own sect, the Dalai Lama was then considered just one of the higher hierarchs. Only when the 5th Dalai outrivalled the Gagyur and Sachya Sects in winning the royal patronage of the rising Chin dynasty in the middle of the 17th century did he succeed in bringing Tibet gradually under his personal hegemony.

This politico-religious partnership once established lasted to the mutual benefit of both parties for more than 200 years. During this long period, China intervened only thrice in Tibet's internal politics, twice in expelling the invasions of the Mongols from Ili, Sinkiang and of the Gurkhas from the south of the Himalayas and once in quelling the civil strifes amongst the Tibetans themselves. And every time she intervened only in the interest of the Dalai Lama. It was through this long period of collaboration that the political and religious power of the Dalai Lama became consolidated. This partnership came to a serious test in the year 1904 when England stepped in. And it stopped functioning altogether at the eve of the Chinese Revolution of 1911 when the tottering Ta Chin Empire was no longer capable of discharging her role as the guardian in the partnership.

Another phase of this partnership that should be mentioned here is the geographic-ethnological significance of it. Geographically speaking, it is difficult to tell where should be the east boundary of Tibet. Ethnologically, there is such a large sprinkling of Tibetan tribes in Yunnan, Sikiang, Tsinghai and Sinkiang provinces and even as far as the central provinces of Kansu and Szechuen that they form a natural link between the inland Chinese and the borderland Tibetans.

So long as the relation between Tibet and the Interior is not radically changed, nothing untoward is likely to happen to these people. Once however Tibet should decide to sever its relation with interior China or what is worse adopt a hostile policy or fall a victim to any unfriendly foreign power, then these people, torn between a political allegiance to the Chinese Government and a religious loyalty to the Dalai Lama, will be either a threat to Tibet, a problem for China, or perhaps both. And the number of such people is estimated to be two or three times the population of Tibet.

Generally speaking, Tibet in its primitive mode of living might be called self-sufficient. And its present favorable economic relation with the interior parts of China in the form of an exchange of hides, furs and certain drug stuffs for Chinese tea, silk and donations is important but by no means vital. However, whatever might be the future political status of Tibet, it is impossible for it to remain long in its economic isolation from the rest of Asia.

If Tibet is ever to emerge out of its present medieavalism and rise to a higher standard of material living, a much closer relation is bound to develop between the borderland and the inland. First, there are those people in between who will always pull together Tibet and the rest of China. Then in the second place, Chinese resourcefulness and initiative will furnish the Tibetan masses such practical leadership as they require. In fact such a master-and-apprentice relationship has been in continuance for more than 13 centuries, notably in the Tang and Chin dynasties.

Role Of Chinese

It appears to have survived all the political vicissitudes. Nearly all the best carpenters, masons, tailors, cooks, painters, book-printers and many other artisans in Tibet today can trace their ancestry or apprenticeship to a Chinese pioneer; and though these happen to be the occupations least respected in Tibet and scorned by the aristocrats, yet these are the very artists and craftsmen who contribute what little material civilisation one finds in Tibet today.

Nor is there any reason why this relationship should be limited to these fields only. Chinese experience and skill in agriculture, cattle-raising, afforestation, irrigation, many forms of handicrafts and arts, and even modern light industries will just fulfil the Tibetans' elementary requirements before they are prepared for further advancement. Some apprehension naturally exists as to whether such an unequal partnership will not lead to a Chinese exploitation of the Tibetan people. Yet the ground on which such apprehension is based is more apparent than real because Tibet's immense domain and economic backwardness afford more chance of absorbing such skill and talents than might be expected forthcoming, and further, given proper political guarantees, Tibet should have sufficient legislative powers at its disposal to prevent or rectify such evils.

As we know, material hardship is among the many artificial causes for a decline of the Tibetan population.

Yet the land of Tibet promises much for betterment. And if China is willing and eager to lend her help toward the amelioration of Tibet's conditions, she will not be acting from sheer magnanimity. She will be only reciprocating for the peace and security of her West and Northwest to which only a prosperous and contented Tibet will contribute.

Recent Problems

So far we have appraised some of the timeless factors that have bound the peoples of Interior China and Tibet in a natural bond. However since 43 years ago, the problem of Tibet has assumed an international importance as between England and China. Hence what is exactly China's attitude toward this modern complication needs some elucidation.

To the average Chinese, British expansion into Tibet dating from the 1904 military expedition is just a chip off the old block of England's China policy of the 19th century beginning with the notorious Opium War.

Those were the days when China was beset with foreign penetrations from all sides, and this northward thrust from India by England is viewed as being unmistakably aimed at western China. England's argument that her policy was necessary in order to forestall the threat to India from Tsarist Russia was more or less convincing up to the signing of the 1904 Convention between England and Tibet.

Then China came to question the full significance of what was implied by the security of India. She found she had been called upon to pay a very heavy price for India's security. First in the year 1886, she had signed off Burma which up till then was one of her tributary states. Then in the year 1890, she had to sign off Sikkim, another of her tributaries. And from about the same year to the eve of the Chinese Revolution, her political relation with two more tributaries, Nepal and Bhutan, was gradually replaced by that of England and ultimately disconnected in 1911. Now again this Lhasa Convention of 1904 completely ignored her legitimate rights over Tibet.

The demands for India's security seemed to be growing with an insatiable appetite. And all at the expense of China and on account of no other fault but her weakness.

Agreement With England

By 1906, however, she succeeded in signing with England a Convention at Peking whereby a part of her sovereign rights over Tibet was retrieved. This was done only at the price of confirming the Lhasa Convention and granting to England two years later certain specific rights as per the Tibet Trade Regulations of 1908. From a legal point of view, China considered herself bound by these Conventions toward England in regard to Tibet and has since consistently maintained this stand. And yet it is here that China and England lose their common ground for a mutually satisfactory solution.

Up to the outbreak of the Chinese Revolution in 1911, there seemed to be no argument from England regarding China's sovereign rights over Tibet. The tenors of both the Peking Convention of 1906 and the Tibet Trade Regulations of 1908 proved beyond doubt that England was willing to treat Tibet in relation to China just as she would have China treat India in relation to England.

That was why the Lhasa Convention signed between the Government of India and the Tibetan authority was confirmed by the Peking Convention signed between the Chinese and the British Governments. And that was also why the war indemnity of 25 lakhs of rupees imposed on Tibet by the Lhasa Convention was paid by China. And for the same reason, the Tibet Trade Regulations treaty of 1906 was signed by the Governments of England and China. Even in the eventful years from 1909 to 1911 when China dispatched an army to Tibet to reassert Central authority which led to the 13th Dalai's self-imposed exile in India and England's inquiries and protests, the British Government never deviated from the principle of regarding the Tibetan affair as a domestic issue of China.

However from the year 1911 and onward, a string of circumstances occurred, the result of which was a complete alienation of the borderland from inland China. After the Chinese garrisons in Lhasa mutinied and were driven out and the 13th Dalai returned to power, British policy changed from one of watchful vigilance to that of active interference.

Instead of acting in accordance with her engagement in the 1906 Convention not to interfere in the internal affairs of Tibet, she addressed a strong note to China in the first year of the founding of the Republic demanding that China not interfere in Tibet's internal affairs, not station troops in Tibet nor administer it like a province. In addition England called for a revision of all previous treaties over Tibet, failing which England would withhold her recognition of the new-born Republic.

England justified her volte-face on the ground of the declaration of Tibet's independence by the 13th Dalai in 1911 and the change of Government in China. To a Chinese, however, Tibet's declaration of independence took place during the hour of the greatest confusion in a political upheaval when many Chinese provinces also declared independence from what they regarded as an illegal Central authority. He attached then no more importance to the 13th Dalai's manifesto than to those many ones which preceded or followed it.

Another powerful factor weighing against its validity is that when the Simla Conference was convened in 1914, nothing was mentioned about Tibet's independence. The Tibetan Delegation sent by the 13th Dalai only demanded autonomy. Then in regard to the change of government in China, England after all accorded full recognition to the Republic of China. And since the Republic, as the legitimate inheritor of the Ta Chin Empire, is bound by all the treaties signed before 1911 between China and foreign powers including England, there is no reason why her treaties with England about Tibet should be made an exception.

The aforementioned Simla Conference in 1914 marks the last attempt between China and England to come to an agreement over Tibet. Hard pressed as China then was by both internal troubles and external pressure, she could really have had no say in the conference. And further, what little resistance she could have put up there to a united front of England and Tibet was almost totally compromised by the then President, Yuan Shih Kai, who was eager to win England's blessings for his ambition of establishing a dynasty. However when the result of the Conference was made known, and before the Chinese Representative could affix his signature to the final draft of agreement, Chinese public opinion reacted so strongly that the Government quickly recalled its Representative. Since then, China and England have not been able to find a new ground even for discussion.

England's Policy

Though never openly admitted, England's policy has since been firstly to maintain the status quo of Tibet in regard to China, and secondly, when that is impossible, to safeguard her most favored position there by claiming an equal treatment with China or any other prospective competitor.

While fully understanding England's concern over the safety of her interests in India, China cannot but consider her activities in Tibet as unfriendly. To identify a Sino-Tibet deadlock with India's security is unwarranted. And to accuse China of aggressive intentions simply because she wants to resume her former connections with Tibet sounds too much like the Japanese argument when they called their invasion of China's northeastern provinces a defensive war.

And as to the creation of something like a buffer of Tibet for China and India, we have seen already during the last World War how such artificial small buffers, instead of serving as safeguards to peace, have always proved an invitation to danger.

A further grievance of China is that all along she never seriously believed that British policy in Tibet was representative of British public opinion. As China sees it, this policy has been the monopoly of a small clique of colonial officers in India. These colonial officers with their expert training, long tradition and an abundance of field knowledge and experience have all along been lead-

ing the Home Government and the English public toward a northward expansion to Tibet.

One need only refer to the accounts of Col. Younghusband himself in his book "India and Tibet" to see how the London Government was led on by that powerful faction to accept the Expedition of 1904 which was planned and executed without any previous information to the public. Indeed before China participated in the Simla Conference of 1914, one noted Chinese diplomat objected to its being held in India simply because of the proximity to that powerful faction. And many Chinese came to appreciate his foresight when the Conference broke down.

Of course, a new phase was ushered in this year with England's determination to quit India. The motif of the policy advocated by the above faction has gone. And with that, it is hoped, their suspicion of China's intention. China's interest is now turned to India herself. As England's legitimate inheritor, is she going to maintain that "special relationship" with Tibet, or is she going to reorientate the relationship from a new approach?

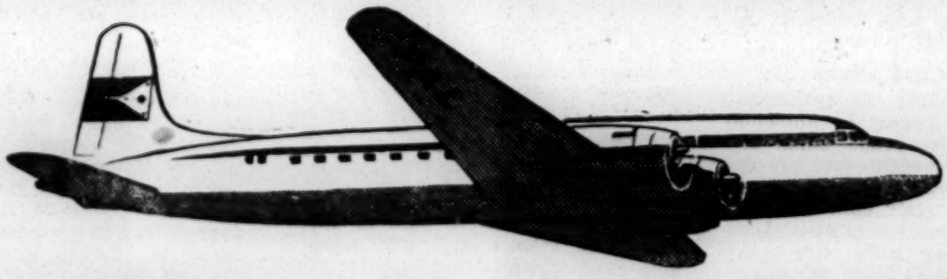
Be whatever as it may, the alteration of the status of India is bound to produce some repercussions on the position of Tibet. While it will be many months before such repercussions can be known, it is interesting to know just what China will possibly do if she is left alone with Tibet. If the various government manifestos and President Chiang's utterances in connection with China's border regions could indicate something about her future policy, her stand in regard to Tibet might be briefly put as follows.

First, China is anxious to have Tibet remain within the framework of the Republic. In other words, she is not likely to grant it independence even if it is demanded. If the question should be raised why China is willing to grant independence to Outer Mongolia but not to Tibet, the best answer is that she has found out now that such a policy does not pay and she is not going to repeat the folly. Secondly, in return for Tibet's allegiance to her, she is prepared to go a long way, perhaps longer than ever contemplated before, to meet the aspirations of the Tibetans. Last, China will seek a mutually satisfactory solution only through the means of consultation and not repression. This last condition will give a strong card to the Tibetans. Yet China knows she will have to pay that high price for the peace of her west and northwest regions to which only Tibet could contribute.

Fly PAL's NEW DC-6 and enjoy a NEW EXPERIENCE in TRAVEL, SPEED and COMFORT

Home comforts aloft

ABOVE THE WEATHER... in DC-6s



50 EXTRA WIDE, LOW RECLINING SEATS, CUSHIONED IN SOFTEST AIR FOAM PROVIDE MAXIMUM COMFORT.

- FULL SLEEPER BERTHS
- RUNNING HOT WATER
- AIR CONDITIONING
- LUXURY SERVICE

FLY PHILIPPINE AIR LINES inc.

THE ROUTE OF THE PACIFIC PACEMAKERS

1 Peking Road. Telephone 19810

Railroad Reconstruction In Central Hopei

(This article was written by a foreign observer who is at present in Communist territory.)

THE outside world has had ample opportunity to hear that within the "Liberated Area" in China the Communists appear to have the solid support of the mass of the people, and have coordinated them for efficient action. However, most of the publicized reports have dealt with Communist destructive efficiency in opposing first the Japanese and now the Nationalists with such drastic measures as destroying hundreds of miles of railroads. This destruction of China's much needed transportation system is a great tragedy, and is a policy that has been regretfully used only when it seemed necessary to pay such a high price for prosecuting the war.

At the present time in Central Hopei, the fighting is considered far enough away and Nationalist planes sufficiently busy at the military front to make it safe to rebuild the Shihchiachuang-Tehchow Railroad, which is the major East-West line connecting the Peiping-Hankow line with the Peiping-Nanking road and the Grand Canal. This area is thought to be safe from capture by the Nationalists, and so far there has been no bombing, although a few planes have strafed workers on the road. This caused 30 casualties (killed or wounded), but there has been no recent strafing. A medical team is kept on hand as protection and to care for any industrial accidents which may occur.

Links Coal Mines

This line will link the coal mines in the mountains west of Shihchiachuang with the Grand Canal and will greatly reduce the cost of coal by cutting the ton-kilometer rate to one-fifth, or from six chin of millet to 1.2 chin. It will be a great boon to the people and to the developing industries that need fuel. Already a spur of the railroad has been constructed to another canal, and coal is now moving over the completed part of the line.

The original railroad was constructed by the Japanese in 1939. It was damaged periodically by guerrilla action, and twice the whole line was torn up and the rails carried off. Rails often were carried as far as 30 miles away and hidden in villages. The ties were removed or burned. Deep trenches were cut in the roadbed, and in some places it was completely leveled and planted with crops.

The job of reconstruction is twofold: gathering together the necessary materials, and relaying the line. Materials needed are rails, ties, spikes, switches, signals, engines and cars, and structural steel.

There are plenty of rails in the area, but the job of getting them assembled is a big one. However, the resources of manpower and carts are as great as when they were marshalled for carrying away the rails, so the job is being accomplished. The supplies are brought to stated collection centers along the line. One two-wheeled cart, even when drawn by two animals, can carry only one long steel rail. The carts move about three miles an hour, so a round trip with one rail may take the better part of two days from more distant places. The rails are considered public property and have been brought in fast enough so that the line is being laid at the rate of one mile per day.

New Ties Necessary

The old ties have all disappeared, and new ones must meet the specifications set by the railroad. The government has set a quota of ties for each village, and the local people can turn in ties instead of millet (the form in which most taxes are collected). The villagers look everywhere for suitable logs and timbers, and purchase them or credit them to the owner's tax bill. If the number found is less than the quota, some of the big trees are cut. Trees were never abundant in this region, and the number was greatly reduced by the Japanese who had many uses for wood and who did not like patches of trees where guerrillas could hide.

The village must meet transportation costs to the assembly point and pay the individual cart owner for his work. One ox may pull five or six ties on a cart, but two in tandem can pull about 12. Because the villages often lack a standard ruler to measure the ties (and perhaps because they may hope to get one accepted which is a little substandard), the carts often have to return home with a part of their loads and then return with acceptable replacements.

Pieces of switches, parts of signal systems, and even old spikes find their way back to the collection points. Forty usable engines were captured in Shihchiachuang, and the supply of cars is adequate for present needs. However, structural steel for bridges is lacking here, and that is one of the reasons this road is being repaired first—other lines cross rivers, and the bridges have been destroyed.

Repairing the roadbed is also a monumental task. In the places where it was not destroyed, the ties and tracks are being laid without re-surveying, and small trenches are readily filled in again. But complete rebuilding requires a great effort, for there is no machinery for rapid moving of dirt. No power scoops or shovels, bulldozers, scrapers, rollers or trucks are available to reduce the drudgery. Each laborer must get along with his own poor mattock or shovel and transport the dirt in a willow basket over his shoulder or on a small wheelbarrow.

This unskilled work will require millions of man-days, and is paid for at the rate of two chin of millet for digging and transporting one cubic meter of soil. Some men can move three cubic meters per day, for which they receive eight pounds of millet. If a man earned that much every day, it would equal the monthly wage of a comparatively high-ranking municipal employee. This sounds to foreigners like ridiculously low pay, but it is better than people were able to earn under the old landlord system in which taxes were much higher, and the landlord also took exhorbitant rent. Especially during slack farming seasons, there are plenty of men anxious to add to their income by such work. Inflation is somewhat less here than in Nationalist China because of more adequate price and money control, but wages are all set in millet which is a staple that will have the same real value even if the money depreciates.

Where ditches have been cut in the roadbed, it is necessary to pack the newly-placed earth solid to avoid later shrinkage which would leave a low spot. This hand tamping is a monotonous, exhausting job, but is essential.

Re-laying the ties and track requires more skill and is done by the long-time railroad employees, most of whom have continued on their jobs since the political change occurred. Only a few ordinary workmen turned to other jobs when the administration changed, and about 80 percent of the office staff and higher administrators and technicians have remained. Some of the others have turned to new occupations, and a total of 2,000 asked for passes through the lines and were helped to reach Peiping. Railroad workers' organizations have been formed and have a considerable voice in determining working conditions, hours and rates of pay.

First Train

The first train was a light pair of cars previously propelled by a gasoline engine which has now been converted into a charcoal burner. Now steam locomotives operate on a regular schedule over the part of the line already completed, and work trains move right to the end of the rails carrying ties and rails to be laid next.

Loading ties and rails is another difficult job, for there is no loading machinery. A sufficient number of men must lift each piece and carry it up the steep bank to the flat car. Moving ties is heavy work, but moving rails requires about 20 men whose coordination is beautiful to watch. They lift the rail on the count of "four," and then run with

the rail half-way up the embankment to a point where two rails slope up to the flat car. The rail is then slid along these.

In other work requiring exact coordination they sing songs with a pronounced rhythm. Often the leader sings a phrase, and the whole group sings a response and applies its mass pressure on a strong beat of the music. River dyke workers, pullers of canal boats and boatmen have similar songs for lifting masts or running up sails, reminiscent of sailors' chanteys of pre-steam nagivation days.

No ballast is being put on the track now, but in the beginning traffic will be very light, and speedy construction is deemed important. As soon as the trains begin to move over the completed road, ballast rock will be brought from the mountains to stabilize the track.

In the first days after it was liberated last November, Shih Chia Chuang was heavily bombed and many buildings were damaged. The amount of repair work that has been done is very great, and every day makes a noticeable improvement. This new city with wide streets, no confining city wall, and access to coal and cotton and transportation is certain to industrialize rapidly, and before many years its present population of 280,000 should double or triple. The city and its railroad are moving forward at a pace that is heartening to see.

In February, when work began on the railroad, I was told that the line would be operating by June, and I thought this was too optimistic an estimate. However considering the progress to the present (April 11), I am inclined to believe that the railroad director who told me last night that a train would be moving over the line before the end of June was making no idle boast.

Burma Embarks On Socialism

Walter Briggs

(Special Correspondent, The China Weekly Review)

Rangoon, Burma, May 30.

NEWLY-INDEPENDENT Burma, committed to Socialism, is wasting no time embarking on its new economic course.

In this Burma is proceeding contrary to its neighbor India. India's Prime Minister Jawaharlal Nehru, a Socialist, has decided to go slow rather than to introduce overnight massive economic changes which might cripple his country's economy.

In April the Burma Parliament decided unanimously to nationalize the Irrawaddy Flotilla Company—of Kipling's "paddles chunkin' from Rangoon to Mandalay." The Flotilla, reputedly the largest inland water service in the world, suffered virtual annihilation of its largest and finest craft during the war. Since then the company, financed 80 per cent by the government, has grown to about 700 vessels, more than prewar, but with only about half the tonnage.

On June 1 the State Timber Board will execute the nationalization of one-third of Burma's vast forest area. The rest will be brought under state ownership in 1949 and 1950. These forests are the home of teak, a prized hardwood.

The shadow of nationalization has fallen on the oil fields, which prewar furnished about one-fifth of the British Empire's output. However, definite steps have not yet been announced. The fields at Yenangyaung and Chauk and the refineries at Syriam, across the river from Rangoon, were devastated by the retreating Allies in 1942. Production is expected to reach no more than 10 per cent of prewar by the end of 1949.

Meanwhile, the government is planning to build a paper factory, chemical plant and hydroelectric project in the Arakan, bordering India on the southwest.

The Burma Oil Company normally produced about 83 per cent of the oil. Bombay-Burma and Steel Brothers have large forest interests. These companies and several others are British-owned, as was the Flotilla.

Burma has not decided its expropriation terms. However, the authoritative *New Times* of Burma declared: ". . . The Burmese Government stands by the terms it had agreed to with the British Government, including the payment of equitable compensation for British property nationalized as the result of state socialism."

The government also has agreed to repay Indians and Chinese who own industries which are nationalized.

The Burma government looks forward confidently to a successful economic future. The *New Times*, edited by Foreign Minister U Tin Tut, said: ". . . Burma elected to make a clean cut with the British members of the superior services, civil and military. A similar cut with foreign capital and business experience would probably alarm neither the Burmese Government nor the majority of the people of the Union, as the popular feeling is that the price paid in the past for the services of foreign capital and business talent was excessive . . ."

Burmese officials entertain this confidence despite the handicaps of widespread war devastation, internal disorder and an admitted shortage of competent personnel. They are taking over industries which, with rice, constitute Burma's four main sources of income.

Prewar Burma, exporting 3,500,000 tons of rice annually, was the largest rice exporter in the world. The Japanese worked to death and otherwise killed about one-third of the country's draft cattle, necessary for plowing. Agriculture greatly declined, but has now revived to about 70 per cent of normal. In 1948 rice exports should reach 1,600,000 tons, more than Siam's and Indo-China's combined.

Burma formerly enjoyed a visible favorable balance of trade of about two-to-one. Immediately postwar this balance became unfavorable because of diminished production and the long-unfulfilled demand for imported commodities. By the end of 1948 the balance may possibly have reached the black again.

However, Burma's invisible balance always was adverse. Money was drained away by foreign—chiefly British—business remittances, banks, insurance companies, shipping costs and savings of Indian and Chinese moneylenders, landholders and merchants. Through Socialism Burma hopes to retain wealth it lost in the past.

Indians own 2,500,000 of lower Burma's roughly 10,000,000 acres of lush rice lands. These Indians, mainly Chettyars, formerly charged high rents. A government land reform act has decreed that tenants must pay only double the land tax, which is equivalent to about $1.25 per acre, to the landholder. The landholder must pay the tax from his proceeds. Pre-war, landholders collected from four to five times the tax. Landholders are finding business so unprofitable that many are giving it up. Meanwhile, the government has announced that it will institute nationalization of the land sometime in the future.

The government also is placing difficulties in the way of non-Burmese who seek rigidly-restricted import and export licenses, reliable observers report.

Burma has retained one strong tie with the British. It has linked itself to the sterling bloc and tariff program. This was inevitable, government leaders told me, because Burma possesses no metal to back its currency and, despite its sizable exports, has few which return dollars.

The Burmese working man's living costs rose from a 1941 base of 100, which provided a standard of living fairly high for Asia, to 750 in 1945. They have fallen to about 300 this year. However, wages have not kept pace.

The government rations sugar, condensed milk, kerosene, gasoline and other necessities. However, it is pursuing a policy that the best means of fighting inflation is to increase production. Through Socialism, officials argue, this end can best be reached.

As an unfettered experiment in Socialism, Burma's economic program bears close watch by the world. Here as in Britain economists and political leaders may study the practice of what for decades has been worked out mainly in books.

New Trade System Takes Shape

J. R. Kaim

IT certainly is too early to say anything definite about the new Foreign Exchange Certificates and the system they are based on. All one can say at present is that while some businessmen believe the method will work, others doubt that any good results can be achieved. Some also oppose the term link-system as misleading, but admit that in some lines exporters now have far better chances than a month ago.

From the very start it was obvious that reactions by the various exporters would be different. In certain fields, exports would have been possible also in May if official foreign exchange rates had been 25 percent higher than they actually were—providing commodity prices in terms of national currency remained unchanged. There are other lines, though only very few, in which exports were possible despite the unrealistic exchange rates. And there was a third category of merchants who claimed that only the black rate gave them a chance.

Below Blackmarket

It is an open secret that at the time of writing the highest price reached for Certificates is still below black market exchange rates. This means that would-be exporters who a month ago had claimed they could export only if calculating at black rates, still are unsatisfied. In their eyes the new open market rate is still unrealistic.

There is good reason to believe, however, that they are wrong and that, not from a financial viewpoint but from a commercial one, the open market rate is more realistic than the black rate. The real intrinsic value of *fapi* is unknown. All we can try to establish is its buying power on the domestic market and in this respect, the black rate cannot be considered realistic.

The black rate is not merely based on supply and demand. It also depends on the "atmosphere," on the political situation and, last but not least, on the many risks which dealing on blackmarkets involves. Furthermore, being "black" and illegal, clandestine foreign exchange markets mostly see more demand than supply: with the national currency inflated and commodity supplies limited, people, not only in China, are eager to obtain some sure values and are willing to pay high prices for such securities.

Under such conditions, it certainly would be misleading to say that only the black rate is realistic. It surely is not.

On the other hand, the new Certificates may or may not be priced realistically. This will depend on two chief factors; namely, first whether importers will be obliged to buy the Certificates within the same period of one week during which exporters are bound to sell their exchange, and, second, whether all exporters are bound to sell their exchange, i.e. whether governmental concerns, too, are to act just as commercial firms.

New Ruling Expected

As to the first of those two points, it is to be expected that a new ruling will be announced in the not so distant future and perhaps will have been issued before this report is printed. For, the Central Bank and its foreign trade offices certainly have ascertained that while exporters are obliged to sell Certificates within a very short time, importers may show no hurry; obviously, it would be but just to demand that the same time limit refers to both categories.

The second of the above points, however, still is to be clarified. Semi-official concerns have exported large quantities of various products even at a time when commercial exporters could do practically no business at all. It is known that in several cases such exports were not paid for at the time they were made but that quite a few shipments on consignment were carried out, the final fate of which still is unknown to the public. The same concerns also have made shipments on a barter basis, partly with a view to obtaining imports, partly in order to settle certain wartime debts.

Still, apart from such exports, genuine commercial sales have been made and the question now is whether foreign exchange derived from such purely commercial activities will appear on the Certificate market. If not, it is to be feared that the value of commercial exports such as made by private firms will not cover the demand by importers.

Some importers even doubt that also by including semi-official exports into the general account, one still cannot be sure of covering the demand. However, this certainly is but a guess, for no businessman exactly knows quantities and values of such semi-official shipments. What the sceptics mean is about this: we have had no active foreign trade balance, even including the semi-official shipments; it will take quite some time until exports will improve; the Certificate price still is below the black rate, so that one may not reckon with large amounts of overseas remittances. Thus, they conclude, export values cannot cover import demands.

Grain Of Truth

No doubt, there is a grain of truth in such arguments, but it is still too early to foresee whether so sceptical a viewpoint is warranted. This certainly depends on further price developments on the domestic market. If prices are cheap enough to permit increasing exports, the experiment may be successful; if not, the sceptics will have been right. Anyhow, up to the time of writing, commodity prices here have not increased to the same extent as open market exchange rates so that quite a few commercial exports have been possible.

Looking at recent price developments, the situation is roughly that the practical exchange rate has increased around 75 percent, rather more than less. With the basic rate for the US dollar remaining $480,000 (selling) and the Certificate premiums around $390,000, one may be entitled to believe that in the not so distant future the premium will be above 90 percent. On the other hand, compared with prices such as quoted by the end of May, bristles have gained (up to June 8) around 25 percent, tung oil around 27 percent, steam filature 18 percent, duck feathers 35 percent, goose feathers 25 percent. While such price advances appear reasonable and still offer some export chances, several other commodities have gained between 60 percent and 80 percent, crude wax being one instance.

Generally speaking, however, the above examples show that the increase in prices was less drastic than the increase in foreign exchanges. Whether this was achieved by a better market situation or by tightening the money market obviously does not matter. The fact is that up to the present time, the price development has been favorable from the standpoint of future exports. Whether the ratio will remain favorable, certainly cannot be foreseen.

Quality And Price

Nor should one overlook the fact that some products are too dear even at the prevailing foreign rates, and that of a few others the quality is too low for warranting good markets abroad. However, more important than such handicaps may be future price increases due to high quotations for imported basic materials. For it goes without saying that step by step the new higher prices of imported goods will impress the calculation of domestic products.

Some officials still doubt that such price increases must be expected. Repeating what was claimed in the ill-fated Circular No. 131, they say that the trade used to calculate "black" anyhow so that further price advances may not be warranted. They forget that when and if such high prices were charged, this could be done only because of small commodity supplies—and there will be no larger supplies in the near future. Furthermore, even those officials may acknowledge that several imported industrial raw materials were sold at very reasonable prices and that frequently importers as well as dealers calculated at the Central Bank's rate plus inflation risks and profit. At present, they are bound

to calculate at prices about 80 percent above the Bank's May rates. Even this would be no safe calculation as further rate increases cannot be foreseen and the Central Bank still is in a position to manipulate the exchange market. Evidently, the Bank may at any time increase its cover rate, no matter the premium paid for Certificates on the open market.

Only Partial "Link"

Thus, one has to reckon with further commodity price increases, but it may be hoped that they will be slower than movements on the Certificate market. The situation might be otherwise if the "link system" actually would link exports and imports. At present, it does so only from the standpoint of the State, not from that of the trade. The exporter cannot link his exports and imports. He must surrender his exchange. He must do so even when he has an import license in his hands. And if no import license is available at the time he surrenders his exchange, he cannot enjoy the slightest advantage—as an importer—from his exports. Would there exist a real link system, matters would be easier.

Generally, businessmen still believe that the new regulation is to be considered an experiment on the one hand, and an emergency contrivance on the other. They still hope the whole complicated system may be regarded as a first step toward more freedom of trade and finance. But on the whole it is to be admitted that the first results are better than many practical traders here expected them to be. And there is little to hope for, in the way of more freedom of trade, it appears, before we shall know more about the shape of China Aid and the manifold currency plans still rumored to be under consideration.

The Week's Business

DURING the week ending Wednesday, June 8, commodity prices in general showed drastic increases which, however, failed to be in concert with official exchange rate increases. This was believed to have offered exporters good opportunities in several, though not all fields. Simultaneously, stock quotations went up on both the Stock Exchange and the curb exchanges.

During the week under review, trading in the new Foreign Exchange Surrender Certificates was still slow. The highest premium reached was $455,000 (i.e. the premium paid by importers above the Central Bank's or the appointed banks' selling rate). This means that the highest price paid for a "certificate dollar" was CN$935,000 which rate was far below the black market quotation.

When on June 8 the price of white rice reached $7,800,000 per picul, this new record was considered the prelude to general food price increases. Yet, prices of various other foodstuffs failed to follow—flour and oil for instance—but such failure, of course, were no indication of price stability.

As the money market was neither very tight nor very easy, commodity prices in other fields were erratic: when rotton yarn rates gained drastically on June 8, silk and rayon markets were weak, while silk products remained unchanged and soap, matches and candles gained considerably. At the same time, kerosene was quoted at $3,000,000 per tin.

In various fields, trading was impressed by uncertainties regarding future developments on the foreign exchange market. Traders made it clear that with the new rates of Foreign Exchange Certificates remaining unpredictable, it is hard to calculate. Under such conditions, several dealers preferred to sell only enough to bring in as much money as they needed for current local expenses.

Trading was also impressed by another new regulation prohibiting banks to advance money on crossed checks before the latter are honored. This, together with the aforementioned reluctance of dealers to sell more than absolutely necessary resulted in a far slower circulation of money than was usual in previous weeks.

Meanwhile, news from Canton was to the effect that the new regulation concerning exchange-certificates has failed to attract Chinese Overseas remitters. It was said that so long as black rates remain far above market rates, there can be little hope for improved overseas remittances which are particularly important for Canton. If one wants to induce Overseas Chinese to remit directly and not through Hongkong, the Central Bank should see to it that the gap between the two rates be smaller. It goes without saying, however, that under prevailing rules the Central Bank has only two ways to respond to such wishes: either the Bank increases its cover rates, and drastically so, or it must issue more import licences. Obviously, while the first remedy would result in fast price increases, the second depends on the values of exports. In this latter respect it must be remembered that with the exception of five basic commodities, the Bank does not grant any foreign exchange for imports; all the exchange needed is to be taken from either exports or foreign remittances.

Estimates are that export orders booked by local exporters during the week under review were considerable. In some lines, however, prices of domestic products were far too high anyhow and would have been so even if would-be exporters had calculated at the black rates. Apart from such exceptions, however, results have been satisfactory, the only question being whether commodity prices will remain low enough to permit further shipments.

Meanwhile, trading in stocks was animated on both the Stock Exchange and the curb exchanges. For operators used to calculate in terms of national currency, profits made on both markets have been satisfactory.

The money market was comparatively quiet and, compared with the previous week, rather easy. The open market interest rate came down to around 27 percent per week.

Quotations

Stock	June 2	June 9
	CNC$	CNC$
Wing On Textile	2,870	3,615
Mayar Silk	3,730	4,800
Commercial Press	750	900
Wing On Co.	650	780
Ewo Cotton	4,420,000	5,770,000
Bond C	262,000	340,000

Commodity	June 2	June 9
	CNC$	CNC$
White Rice, first	6,700,000	8,000,000
Wheat Flour	1,950,000	2,530,000
Peanut Oil	18,500,000	22,500,000
Raw Silk "C"	500,000,000	650,000,000
Jap. Rayon	387,000,000	522,000,000
Cot. Yn. (42)	302,000,000	442,000,000
Cot. Yn. (20)	194,000,000	262,000,000
Caustic Soda	155,000,000	215,000,000
Koo Pan Soap	7,030,000	9,100,000

New Trade System Takes Shape

J. R. Kaim

IT certainly is too early to say anything definite about the new Foreign Exchange Certificates and the system they are based on. All one can say at present is that while some businessmen believe the method will work, others doubt that any good results can be achieved. Some also oppose the term link-system as misleading, but admit that in some lines exporters now have far better chances than a month ago.

From the very start it was obvious that reactions by the various exporters would be different. In certain fields, exports would have been possible also in May if official foreign exchange rates had been 25 percent higher than they actually were—providing commodity prices in terms of national currency remained unchanged. There are other lines, though only very few, in which exports were possible despite the unrealistic exchange rates. And there was a third category of merchants who claimed that only the black rate gave them a chance.

Below Blackmarket

It is an open secret that at the time of writing the highest price reached for Certificates is still below black market exchange rates. This means that would-be exporters who a month ago had claimed they could export only if calculating at black rates, still are unsatisfied. In their eyes the new open market rate is still unrealistic.

There is good reason to believe, however, that they are wrong and that, not from a financial viewpoint but from a commercial one, the open market rate is more realistic than the black rate. The real intrinsic value of *fapi* is unknown. All we can try to establish is its buying power on the domestic market and in this respect, the black rate cannot be considered realistic.

The black rate is not merely based on supply and demand. It also depends on the "atmosphere," on the political situation and, last but not least, on the many risks which dealing on blackmarkets involves. Furthermore, being "black" and illegal, clandestine foreign exchange markets mostly see more demand than supply: with the national currency inflated and commodity supplies limited, people, not only in China, are eager to obtain some sure values and are willing to pay high prices for such securities.

Under such conditions, it certainly would be misleading to say that only the black rate is realistic. It surely is not.

On the other hand, the new Certificates may or may not be priced realistically. This will depend on two chief factors; namely, first whether importers will be obliged to buy the Certificates within the same period of one week during which exporters are bound to sell their exchange, and, second, whether all exporters are bound to sell their exchange, i.e. whether governmental concerns, too, are to act just as commercial firms.

New Ruling Expected

As to the first of those two points, it is to be expected that a new ruling will be announced in the not so distant future and perhaps will have been issued before this report is printed. For, the Central Bank and its foreign trade offices certainly have ascertained that while exporters are obliged to sell Certificates within a very short time, importers may show no hurry; obviously, it would be but just to demand that the same time limit refers to both categories.

The second of the above points, however, still is to be clarified. Semi-official concerns have exported large quantities of various products even at a time when commercial exporters could do practically no business at all. It is known that in several cases such exports were not paid for at the time they were made but that quite a few shipments on consignment were carried out, the final fate of which still is unknown to the public. The same concerns also have made shipments on a barter basis, partly with a view to obtaining imports, partly in order to settle certain wartime debts.

Still, apart from such exports, genuine commercial sales have been made and the question now is whether foreign exchange derived from such purely commercial activities will appear on the Certificate market. If not, it is to be feared that the value of commercial exports such as made by private firms will not cover the demand by importers.

Some importers even doubt that also by including semi-official exports into the general account, one still cannot be sure of covering the demand. However, this certainly is but a guess, for no businessman exactly knows quantities and values of such semi-official shipments. What the sceptics mean is about this: we have had no active foreign trade balance, even including the semi-official shipments; it will take quite some time until exports will improve; the Certificate price still is below the black rate, so that one may not reckon with large amounts of overseas remittances. Thus, they conclude, export values cannot cover import demands.

Grain Of Truth

No doubt, there is a grain of truth in such arguments, but it is still too early to foresee whether so sceptical a viewpoint is warranted. This certainly depends on further price developments on the domestic market. If prices are cheap enough to permit increasing exports, the experiment may be successful; if not, the sceptics will have been right. Anyhow, up to the time of writing, commodity prices here have not increased to the same extent as open market exchange rates so that quite a few commercial exports have been possible.

Looking at recent price developments, the situation is roughly that the practical exchange rate has increased around 75 percent, rather more than less. With the basic rate for the US dollar remaining $480,000 (selling) and the Certificate premiums around $390,000, one may be entitled to believe that in the not so distant future the premium will be above 90 percent. On the other hand, compared with prices such as quoted by the end of May, bristles have gained (up to June 8) around 25 percent, tung oil around 27 percent, steam filature 18 percent, duck feathers 35 percent, goose feathers 25 percent. While such price advances appear reasonable and still offer some export chances, several other commodities have gained between 60 percent and 80 percent, crude wax being one instance.

Generally speaking, however, the above examples show that the increase in prices was less drastic than the increase in foreign exchanges. Whether this was achieved by a better market situation or by tightening the money market obviously does not matter. The fact is that up to the present time, the price development has been favorable from the standpoint of future exports. Whether the ratio will remain favorable, certainly cannot be foreseen.

Quality And Price

Nor should one overlook the fact that some products are too dear even at the prevailing foreign rates, and that of a few others the quality is too low for warranting good markets abroad. However, more important than such handicaps may be future price increases due to high quotations for imported basic materials. For it goes without saying that step by step the new higher prices of imported goods will impress the calculation of domestic products.

Some officials still doubt that such price increases must be expected. Repeating what was claimed in the ill-fated Circular No. 131, they say that the trade used to calculate "black" anyhow so that further price advances may not be warranted. They forget that when and if such high prices were charged, this could be done only because of small commodity supplies—and there will be no larger supplies in the near future. Furthermore, even those officials may acknowledge that several imported industrial raw materials were sold at very reasonable prices and that frequently importers as well as dealers calculated at the Central Bank's rate plus inflation risks and profit. At present, they are bound

to calculate at prices about 80 percent above the Bank's May rates. Even this would be no safe calculation as further rate increases cannot be foreseen and the Central Bank still is in a position to manipulate the exchange market. Evidently, the Bank may at any time increase its cover rate, no matter the premium paid for Certificates on the open market.

Only Partial "Link"

Thus, one has to reckon with further commodity price increases, but it may be hoped that they will be slower than movements on the Certificate market. The situation might be otherwise if the "link system" actually would link exports and imports. At present, it does so only from the standpoint of the State, not from that of the trade. The exporter cannot link his exports and imports. He must surrender his exchange. He must do so even when he has an import license in his hands. And if no import license is available at the time he surrenders his exchange, he cannot enjoy the slightest advantage—as an importer—from his exports. Would there exist a real link system, matters would be easier.

Generally, businessmen still believe that the new regulation is to be considered an experiment on the one hand, and an emergency contrivance on the other. They still hope the whole complicated system may be regarded as a first step toward more freedom of trade and finance. But on the whole it is to be admitted that the first results are better than many practical traders here expected them to be. And there is little to hope for, in the way of more freedom of trade, it appears, before we shall know more about the shape of China Aid and the manifold currency plans still rumored to be under consideration.

The Week's Business

DURING the week ending Wednesday, June 8, commodity prices in general showed drastic increases which, however, failed to be in concert with official exchange rate increases. This was believed to have offered exporters good opportunities in several, though not all fields. Simultaneously, stock quotations went up on both the Stock Exchange and the curb exchanges.

During the week under review, trading in the new Foreign Exchange Surrender Certificates was still slow. The highest premium reached was $455,000 (i.e. the premium paid by importers above the Central Bank's or the appointed banks' selling rate). This means that the highest price paid for a "certificate dollar" was CN$935,000 which rate was far below the black market quotation.

When on June 8 the price of white rice reached $7,800,000 per picul, this new record was considered the prelude to general food price increases. Yet, prices of various other foodstuffs failed to follow—flour and oil for instance—but such failure, of course, were no indication of price stability.

As the money market was neither very tight nor very easy, commodity prices in other fields were erratic: when rotton yarn rates gained drastically on June 8, silk and rayon markets were weak, while silk products remained unchanged and soap, matches and candles gained considerably. At the same time, kerosene was quoted at $3,000,000 per tin.

In various fields, trading was impressed by uncertainties regarding future developments on the foreign exchange market. Traders made it clear that with the new rates of Foreign Exchange Certificates remaining unpredictable, it is hard to calculate. Under such conditions, several dealers preferred to sell only enough to bring in as much money as they needed for current local expenses.

Trading was also impressed by another new regulation prohibiting banks to advance money on crossed checks before the latter are honored. This, together with the aforementioned reluctance of dealers to sell more than absolutely necessary resulted in a far slower circulation of money than was usual in previous weeks.

Meanwhile, news from Canton was to the effect that the new regulation concerning exchange-certificates has failed to attract Chinese Overseas remitters. It was said that so long as black rates remain far above market rates, there can be little hope for improved overseas remittances which are particularly important for Canton. If one wants to induce Overseas Chinese to remit directly and not through Hongkong, the Central Bank should see to it that the gap between the two rates be smaller. It goes without saying, however, that under prevailing rules the Central Bank has only two ways to respond to such wishes: either the Bank increases its cover rates, and drastically so, or it must issue more import licences. Obviously, while the first remedy would result in fast price increases, the second depends on the values of exports. In this latter respect it must be remembered that with the exception of five basic commodities, the Bank does not grant any foreign exchange for imports; all the exchange needed is to be taken from either exports or foreign remittances.

Estimates are that export orders booked by local exporters during the week under review were considerable. In some lines, however, prices of domestic products were far too high anyhow and would have been so even if would-be exporters had calculated at the black rates. Apart from such exceptions, however, results have been satisfactory, the only question being whether commodity prices will remain low enough to permit further shipments.

Meanwhile, trading in stocks was animated on both the Stock Exchange and the curb exchanges. For operators used to calculate in terms of national currency, profits made on both markets have been satisfactory.

The money market was comparatively quiet and, compared with the previous week, rather easy. The open market interest rate came down to around 27 percent per week.

Quotations

Stock	June 2	June 9
	CNC$	CNC$
Wing On Textile	2,870	3,615
Mayar Silk	3,730	4,800
Commercial Press	750	900
Wing On Co.	650	780
Ewo Cotton	4,420,000	5,770,000
Bond C	262,000	340,000

Commodity	June 2	June 9
	CNC$	CNC$
White Rice, first	6,700,000	8,000,000
Wheat Flour	1,950,000	2,530,000
Peanut Oil	18,500,000	22,500,000
Raw Silk "C"	500,000,000	650,000,000
Jap. Rayon	387,000,000	522,000,000
Cot. Yn. (42)	302,000,000	442,000,000
Cot. Yn. (20)	194,000,000	262,000,000
Caustic Soda	155,000,000	215,000,000
Koo Pan Soap	7,030,000	9,100,000

NEWS OF THE WEEK

Shantung Fighting Said Decisive; Czech President Benes Resigns

COMMUNIST troops are stepping up their all-out offensive in Shantung Province and military observers are of the opinion that the outcome of the fighting will clarify the situation in the province. According to press reports, Chen Yi's forces after capturing Tawenkow drove southward and opened a general assault on Yenchow, another major railway town, 45 miles south of Tawenkow. The Communists at the same time were converging on Tsinan, provincial capital. Heavy fighting is reported to have broken out on the outskirts of the city. In southern Shantung, the Communists were increasing their pressure against Government units hemmed in the Hotse, Kiahsiang and Chuyeh area.

Besides, Communists were conducting a series of nuisance raids on the outer perimeter of Hsuchow, main government supply base for Shantung, Anhwei, Honan and Northern Kiangsu. With the Communists steadily over-running the entire 175-mile stretch of the Tientsin-Pukow railway between Tsinan and Hsuchow, the government rushed troops from north Honan to southwest Shantung.

The critical situation in Shantung is generally believed to have added to the difficulties of Dr. Wong Wen-hao's new cabinet. Commenting on the current Shantung battle, a *Reuter's* story dated June 5 from Nanking pointed out that "the military crisis which Premier Wong's Government has just inherited along with the other liabilities is becoming increasingly apparent against the background of fighting now taking place in Shantung province."

* * *

Effect And History

THEN the story proceeded to analyze the effects and the history of the fighting in Shantung. "The revival of large scale battles in western Shantung has upset yet another Nationalist time-table, with the Generalissimo promising to clear the Communists south of the Yellow River within three months from the time the National Assembly convened in April. The renewal of fighting in Shantung occurred after a period of comparative lull since January, when the Nationalists claimed decisive victories over the Communists in the Meng and Yi mountain regions to the east of Tsinan. Conveniently ignored then was the fact that no losses of any major proportions had been inflicted on General Chen Yi's elusive forces, which merely broke up into smaller units and dispersed into regions not easily accessible to the Government's regular troops—only to reemerge later when the time element was in their favor. Informed quarters in the capital viewed the battle of Tsinan as having a decisive nature in the Central China warfare and predicted gloomily that the Nationalist campaign in Shantung is likely to collapse with its fall."

Reasons are, according to the story, "if the government forces are to regain control of the province the least they must do is to clear the Communists from both the Tientsin-Pukow and Tsinan-Kiaochow lines, which are the vertical and horizontal rail arteries of the province. Observers noted, however, that Government troops at present not only cannot be expected either to restore or maintain both lines as regular means of communication. They are also not in a position to rebuild themselves into a solid systematic defense line anywhere in the province. At press time, it was reported that Government troops struck back in vigorous counter-attacks in Shantung.

* * *

Wong's Program

IN a preview of his program, Premier Wong Wen-hao told the Kuomintang members of the Legislative Yuan the following:

(1) The main task of the new government is the successful suppression of the Communists.

(2) Every effort will be made to balance the ordinary budget while a special budget (including military expenditures) will be covered as near as possible by American assistance, special incomes and other items.

(3) Certain industries in North China will be moved south of the Yangtze where they will be able to operate without interference from the civil war.

(4) Agriculture will be improved through greater use of better fertilizers and better seeds.

(5) Reforms will be made in the tax systems.

(6) Political honesty will be stressed.

The proposed transfer of industrial plants from North China to South China raised considerable opposition. Several legislators asked: "What will happen to North China if industries are moved?" According to press reports, President Chiang Kai-shek who presided over the meeting answered by telling them sharply "If you have suggestions, address them directly to me."

The official organ, *Central Daily News*, on June 5 disclosed that Wong will continue his predecessor's financial policy of controlling foreign exchange, restricting imports and encouraging exports. Well-informed circles in Nanking said it would surprise no one if Premier Wong's program contained nothing new whatever.

* * *

Ambassador's Warning

IN spite of official browbeating and stern warning, the student movement against United States aid to Japan has developed into serious proportions. Both Chinese Foreign Minister Wang Shih-chieh and American Ambassador J. Leighton Stuart felt it necessary to issue statements to clarify the stands of the Chinese and the American Government in order to "clear up current misunderstanding."

In a statement issued with the approval of the State Department, Ambassador Stuart called the serious attention of Chinese students to the fact that their campaign against United States policy in Japan "is seriously damaging the traditional cordiality between the United States and China" and warned that "it can have the most unfortunate results if it continues."

The ambassador found it "all the more regrettable that this movement should start at a time when the United States is embarking upon a large-scale and serious program to assist China in its present tragic plight." Although he did not define what "the most unfortunate results" will be, he pointedly stressed "At a time when the American people are being called upon to assist in the rehabilitation of war-torn areas throughout the world, they may well wonder why these efforts are greeted by unreasonable and irresponsible attacks on American policy." More specifically and significantly, he indicated that American taxpayers, knowing that their aid to China is being received with hostility and animosity, may not have "the same willingness" to continue giving help.

In defence of American policy in Japan, Dr. Stuart stated that all charges of fostering the restoration of Japanese military and economic imperialism are "demonstrably false." He maintained that enough Japanese economic life must be restored to enable the Japanese people to become self-supporting, because "an indigent country is a continuing threat to peace and security." He further revealed that the revival of Japanese economy, on which the Chinese and United States Governments "substantially agreed" is not "a threat to the Chinese economy." The ambassador openly defied "anyone to produce a single shred of evidence that any part of the Japanese military power is being restored or that there is any intention on the part of the United States other than

to assure that it will never rise again."

* * *

Pro And Con

CHINESE opinion on the Ambassador's statement seemed sharply divided. Government and pro-government circles shared the ambassador's view while independent sources and especially student circles felt distressed and angry, all the more so in view of the alleged 'threatening" tone of the statement. The *UP* reported from Nanking that "responsible government quarters declined to make any official comment on Dr. Stuart's statement but privately they praised the ambassador's clarification of United States policy in Japan as a helpful move."

Foreign Minister Wang Shih-chieh also issued a long statement, in which he clarified the stand of the Chinese government on the question of the industrial level of Japan and the related question of Japanese reparations.

After reviewing the history and the latest developments of these issues, the foreign minister assured the Americans that "though there might exist some apprehension or misunderstanding in the minds of certain people, there is no ill-feeling on the part of the general public of China towards the United States by whose side we fought in the last world war and with whom we are bound to cooperate in the building up of world peace."

On the other hand, the foreign minister advised his fellow countrymen to rest assured that "though the Chinese Government and the United States Government may hold different views with regard to the disposal of certain categories of Japanese industries, I am convinced that neither of the two governments would countenance Japanese rearmament."

Dr. Hu Shih, chancellor of National Peiping University also agreed with the views of Ambassador Stuart, arguing if Japan continues under the present state without colonies, navy or air force, it will be impossible for her to retain her aggressive military power.

According to *Reuter's*, Vice Minister of Education Han Li-wu and the government organ *Central Daily News* added official backing to Ambassador Stuart's statement by blasting Chinese students' anti-American agitation as "neither justifiable nor reasonable." Premier Wong expressed the hope that "diligent students will not allow themselves to be used by Communists, damaging Sino-American cooperation."

But the students held different views. In Shanghai, several thousand university students made a fruitless attempt to stage a demonstration to protest against United States aid to Japan. In Peiping, according to press reports, the student governing bodies of 11 universities and colleges made a vigorous protest against Dr. Stuart's statement. The students openly charged Stuart with interfering with China's internal affairs" and went on to say "you misrepresented the patriotic, anti-American-aid-to-Japan movement of the Chinese students."

Mr. Liu Pu-tung, leading legislator and professor at the American endowed University of Nanking said it was "regrettable" that Dr. Stuart's statement, if meant as friendly advice, should have been couched in such "threatening terms." He further charged that it was from a motive of self-interest that the United States was extending assistance to other countries in an effort to recapture markets lost since the second world war.

* * *

Business Proposition

THE House Appropriation Committee of Congress cut the total amount of foreign aid from US$6,533,710,228 to US$5,980,710,228. Mr. Taber, Chairman of the Committee, said the committee believed it necessary to aid in the recovery of war-torn nations, but was not willing to finance a lot of nebulous projects just for the sake of spending money. He said: "Hoffman might have to cut the furnishing of soft drinks, magazines and picture books to Europe, but I have a hunch they will manage to get along without these."

Well-informed circles in Washington said that one of the principal repercussions resulting from any major cut would be its effect on America's foreign policy since the Marshall Plan forms the basis of that policy as a whole. Secretary Marshall has already stated that the effect of the proposed reductions would be to turn the plan from one of recovery to merely one of relief.

* * *

Benes Steps Down

EDUARD Benes, president of Czechoslovakia, tendered his resignation on June 7 and it has been accepted. The news of his resignation caused no surprise. According to well-informed circles in London he originally intended to resign three weeks after the Communist coup last February, but stayed in office trying to salvage some democratic liberties. A spokesman for the British Foreign Office expressed "sorrow" at the resignation of Benes, who, he said, personified the Czech liberal tradition. His resignation was interpreted in Prague as a public confession that his dream for his country had failed.

* * *

West Germany

THE United States, Great Britain, France and the three Benelux countries have reached an agreement to set up immediately a constituent assembly to draw up a new constitution for Germany. A copy of the agreement has been despatched to Moscow for information purposes. The main proposals were:

(1) That a German constituent assembly should be immediately created.

(2) That the Ruhr should be internationally controlled, with German participation in managerial affairs.

(3) That measures should be immediately devised to prevent a resurgence of German aggression.

RESEARCH WORKERS WANTED

The Institute of Chinese Public Opinion (affiliate of the International Institute of Public Opinion New York City) requires the services of students, teachers and journalists in all parts of China to act as paid interviewers of Public Opinion. Research workers of the Institute of Chinese Public Opinion are paid for each day actually engaged in the sampling of public opinion as directed by this institute.

Applicants must be fully conscious of the educational and sociological values of accurate public opinion polls. It is required that applicants also possess an impartial and scientific attitude toward Public Opinion research. As polls are conducted from time to time, the sampling of public opinion is a part-time occupation. It need not interfere with the studies or other activities of our representatives.

Training and explicit directions for the sampling of Public Opinion is supplied by this institute.

For applications and further particulars, write:

The Institute of Chinese Public Opinion,
10 Hengshan Lu
Shanghai

US Magazine Roundup

Saturday Evening Post

"OUR Dealing With China Makes A Sorry Story" declares a *Saturday Evening Post* editorial in the May 8, 1948, issue. "At Yalta, President Roosevelt conceded to Comrade Stalin the right to resume the old Czarist policy of turning Manchuria into a Russian satrapy, which the Japanese had successfully challenged in 1904. So, what China had expected to get back from Japan as one of the fruits of eight years of grueling warfare, the Russians got for about as many days of real campaigning in that part of the world. President Roosevelt agreed with Comrade Stalin that the Chinese were not to be told of this bargain at their expense until Uncle Joe was ready to demand their assent to it. It was about the rawest treatment of a trusting ally to which this country has ever been party.

"Although President Truman was still consciously the heir to those Roosevelt policies . . . he had to appear to believe that Stalin and his Chinese communist stooges would not abuse these advantages, but would respond to gentle coaxing with sweet reasonableness. So he sent Gen. George Marshall to China to persuade Chiang Kai-shek to make peace with the Reds through 'coalition'—that is, take them to his bosom.

The editorial goes on to describe the swift growth of "Communist parasitism" within China after Dr. Sun Yat-sen was persuaded in 1924 "to take the Reds to his bosom," and how, by 1927, "Moscow's General Galen thought he had all of China's armies in leash . . . But overconfidence made the Reds arrogant . . . and Chiang Kai-shek kicked over the traces and sent the Russians packing." Marshall's mission is accused of adding "insult" to Chiang's "injury" by asking him to take the communists back into his government, and it is also accused of allowing the Chinese communists to rearm themselves from surrendered Jap arms and reorganize for new offensives during the cease-fire period ordered by Marshall.

"Meanwhile this country has provided the apologists for Moscow's Far Eastern policy with every facility for abusing 'the utterly corrupt Chiang Kai-shek regime,' to which we were so lately indebted for keeping China in the war those eight ghastly years and for 'containing' something like two million Japs. How this stuff sounds in Nanking as it comes off the great American sounding board is easily imagined. The communists are now promoting the same murderous antiforeignism that they did in 1927, when they thought they had China in the bag. But this time, if the long-winded Mao Tse-tung becomes China's Tito before the Americans get these few simple facts about the Chinese state of mind into their heads, it will be a long while before Americans go back. This, we imagine, would be all right with our fellow travelers.

* * *

Far Eastern Survey

LAURENCE E. Salisbury discusses the question of "New Aid To China" from the point of view of the American State Department and Congress in his article by that title appearing in the April 21, 1948, issue of *Far Eastern Survey*. "The question of the probable effects of the aid to China has caused hesitation in the Congress and in the press," he says. "A report of the Senate Foreign Affairs Committee which reflected the lack of any hopeful enthusiasm among Americans that the aid program would bring about a change in China was withdrawn after it had been printed on March 25. Hesitation has been due to the known facts about the condition of the National Government, including some facts officially made available for the first time by the Department of State as background information on the present aid act. The 'justification' document deals with some aspects of the financial situation in National China and the capacity of that government to effectively utilize dollars which may be voted to implement the aid program."

Mr. Salisbury proceeds to quote from the "justification document" various points dealing with Nationalist China economy and to highlight these points with explanatory comment of his own. The first is "China's Inflation," of which he says: "Since the measure of the decline in the value of paper money is the rate of increase in prices . . . the Chinese dollar is declining in value much faster than new money is put into circulation . . . Such a process must have a terminal point. As the Greek drachma showed, this point can be reached with startling suddenness once the final plunge in the value of the currency has begun. The acceleration in the rate of increase of note issue to 25 percent per month suggests that such a plunge may not be far off."

The next point is "Costs of War," concerning which the author points out that 70 percent of the National Government budget is being used for military purposes. "A proportion as high as this means that many functions of civil government are carried on by the military in the provinces. . . . The military situation is the key to the economic; an end to the civil war is a prerequisite if the National Government is to avoid hyper-inflating to the point of collapse." Of "Nanking's Dollar Position" he declares that the Chinese Government is far from destitute of foreign exchange; that, as of January 1, 1948, Chinese Government holdings amounted to US$328,300,000 which, at the previous rate of utilization ($37,500,000 per month), would last approximately until October 1, 1948. "There is not, therefore, a desperate urgency during the early months of 1948 to replenish the official foreign exchange assets of the Chinese Government. The urgency is in the domestic situation which has brought China near to collapse of the currency and has strangled production of commodities for export and domestic consumption."

In discussing "Export Prospects," Mr. Salisbury says that the estimated level of exports for 1948, "which is far below prewar, reflects the decline in production in Nationalist China, the severance of the port cities from the Communist-held interior . . . As corruption and inflation mount together and communication lines are lost to the Communists, these limitations on the ability to export become more serious and the National Government becomes more and more dependent on outside aid for the financing of ordinary imports . .

"Private Chinese Assets" are dealt with next, the author pointing out that the minimum estimate of such foreign-held assets is US$500,000,000, while some estimates run as high as $4,000,000,000. However, these assets will not be much help to the Government, he continues, since "under present conditions there is no incentive for voluntary repatriation of capital" and there does not seem to be any effective way for the Government to forcibly take them over.

We come next to "Past American Aid." When totalled, "it is apparent that upwards of US$4,000,000,000 has been given to the National Government. About $2,500,000,000 of this aid was received by China after the end of the war with Japan. The rate of US aid to China during the recent past has been, therefore, approximately one billion dollars a year . . . But the material aid has not made it possible for the Nationalist armies to destroy the attackers, as popular support and ability to fight the Communists on their own terms have been lacking.

The final point dealt with is "Utilization of New Aid." The author uses the breakdown made by the State Department of its originally proposed aid program as a basis for his remarks. "It can be seen," he says, "that approximately half of the proposed aid would be in food and fiber and that five-sixths of the total would be for current consumption. Moreover, the aid would reach a limited area—the few port cities and the lower Yangtse Valley which remain firmly in the hand of the Nationalists. Mr. Salisbury concludes with the statement, "It is not generally recognized that the immediate relief needs are in large part the result of the interruption of domestic trade and would end with a settlement of the civil war . . .

The Review's English Lesson—XXXV

BELOW we print a book review from *Harper's* Magazine by Jacques Barzun. It is only one paragraph in length, but it is a fine example of competent writing. Mr. Barzun states his ideas briefly, intelligently and wittily. He tells you what the book is about, its central theme and adds a relevant comparison with another writer's idea as related to the main theme of the book. He arouses your interest in reading the book, yet does not tell all about it. Note his adept use of words and how he omits cliches especially good phrases are set in heavy type.

"In yet one more book about Russia, Mr. George Reavey's **Soviet Literature Today**, one may study the weirdest of all modern group traits as exemplified in Russia, namely the **application to art of formulas derived from Marx and Lenin's prophetic sociology.** Mr. Reavey's convenient handbook is purely descriptive and as such forbears to explain why the mighty and self-confident Soviet Republics must from time to time **throw a fit of alarm at a short story or a scherzo** which, on the face of it, **would not even bring down the house of Usher.** For the same apprehensive mood one has to go back to the time of the French Revolution, or of the religious wars anywhere. **But nowadays the problem of the artists is complicated by the fact of populism**, that is, the participation of everyone, through literacy and some form of vote, in affairs of state. It was a profound remark of the poet Charles Peguy that the great revolutionary date in France was not 1789 but 1889—the beginning of free grammar schools throughout the country."

* * *

THIS week we give you a matching test. Match the idiomatic words or phrases listed in the left-hand column with those on the right. The correct answers will be given next week.

1. "behind the scenes"	1. 1899-1900
2. "dummy corporations"	2. in the background
3. "the turn of the century"	3. limit on debate
4. "to give an edge"	4. flowery speech
5. "clear the air"	5. fictitious companies
6. "gag rule"	6. to gradually die
7. "to patch things up"	7. to grant an advantage
8. "to peter out"	8. interim assistance
9. "pass the hat"	9. an even opportunity
10. "high-flown language"	10. eliminate errors
11. "a 50-50 chance"	11. monopolistic selling
12. "stop-gap aid"	12. renew a friendship
13. "a slim chance"	13. a slight opportunity
14. "price fixing"	14. solicit money

* * *

THE following names are commonly found in reading current news. The correct pronunciations are given:

Milwaukee—mill-walk-ee
De Gasperi—day-gas-pear-ee
Seoul—sule
Weizmann—wise-man
Ickes—ick-ease

* * *

THE following paragraph has several idiomatic expressions which are set in heavy type. As in previous lessons, write your translations of the expressions and send us your answers. In a later lesson the correct translations will be given.

The stock market **has suffered a setback,** while experts still **puzzle over** its future direction. A strong basis for **a boom** is seen, but one expert notes that "the troubles that faced the country when the market **took a spill** 20 months ago are still with us." He cites tense foreign relations, over-supply of some commodities, such as electric and department-store goods, **tight raw materials,** and needs of industry for capital replacement **to keep production going.**

* * *

THE answers to last week's test are as follows:

1. **Who** are the people **who** have rented the house next door?
2. We have not learned **who** they are.
3. **Whom** shall we elect as chairman?
4. I addressed the letter to the person **whom** you mentioned.
5. The coach asked him **who** he was.
6. **Who** is to be the principal speaker?
7. The old guide, **whom** I had forgotten, greeted me warmly.
8. **Whom** do you wish to see?
9. **Whom** did you suppose my brother to be?
10. Are you the girl **whom** my sister knew at college?

* * *

THE following words are names that you have probably seen in the newspapers and wondered how to pronounce:

Haifa—high—fa
Dimitrov—de-mee-trof
Quirino—key-ree-no
Iran—ear-ann
Smuts—smoots
Boer—bore

What US Papers Say

THERE was much editorial comment in the US press last week about the formation of the new South Korean government under Dr. Syngman Rhee. The shift in the Nanking political scene continued to draw approving remarks, and an "anti-subversion" bill, now under US Congressional consideration, was both attacked and praised sharply by US papers.

* * *

South Korean Government

THE *New York Herald Tribune* said that the "success or failure of the new government to be created by the Korean National Assembly, now meeting at Seoul, will depend in large measure on the ability of the conservatives led by Dr. Syngman Rhee to construct a regime that will win and hold popular support. The government will be under constant pressure by Communists in South Korea, the area it will control, and will be threatened with invasion at some time in the future from the puppet state set up by the Russians in North Korea . . . In this situation the political wisdom of Dr. Rhee, undoubtedly the dominant figure in the assembly, will undergo a severe test. Much may depend on what type of conservative he turns out to be . . .

The *Louisville Courier Journal* said: "Dr. Rhee has faced realities. As chairman of the assembly he has now announced he hopes US forces will remain until his government is strong enough to protect itself. Lt. Gen. John R. Hodge, on behalf of the United States, has assured the assembly that 'the command does not intend to dictate to you.' We are, then, in a state of confidence and understanding with the fledgling government. We are in Korea with the approval of the real Korean government. There are two possibilities for a happy ending. One is that the Rhee government will grow strong enough, and will draw enough support from northern Koreans for us to withdraw in assurance. The other is that US-Soviet relations will be improved by a firm show of US determination in Europe and Asia."

The *Birmingham Age-Herald* remarked: "This provisional assembly and the effort to get some kind of democratic government started is considerably less than what is needed. But it is evident enough that it must be carried on."'

The *New York Times* declared: "The road ahead for this new republic-in-formation is a difficult one, and one that has not been made any easier by two and three-quarter years of occupation . . . No new republic ever had easy going, however, and it is better that solutions be worked on by the Koreans themselves than that they be decided thousands of miles away in Washington and Moscow, if any agreeable decisions ever could be worked out under today's tensions between those two capitals . . . But if Dr. Rhee is now given full support by the UN, which ordered the elections, it should be still possible to avoid civil war, and eventually establish on the 'bridge to Asia' a strong, united and democratic republic of Korea."

* * *

Nanking Changes

THE *Washington Daily News* (Scripps-Howard) said recently that a housecleaning was going on in China. "There is hope in the new Nanking regime, China's first constitutional government. Cynics may say Chiang Kai-shek as president is a dictator still, and that the new cabinet is largely a reshuffle of the old. There is some truth in that. But it ignores Chiang's new emphasis on housecleaning and the rise of two able reformers as key men under him. The newly-elected vice president, Li Tsung-jen, has been a leader of the progressive opposition within the nationalist party. His record is excellent. Dr. Wong Wen-hao, new premier, also had been an opponent of the old gang. He is a good administrator whose sympathies are all on the democratic side."

Declaring that the basic set-up of the Chinese Government had not yet really changed, the paper goes on to say: "But at least the rise of progressives within the KMT to top position in the new constitutional government gives Chiang a fighting chance to begin the long delayed house-cleaning. Defeat of the Communist armies of rebellion is essential. But costly experience has shown that this task is tied up tightly with two others—social reform and elimination of corruption. The old gang, by blocking social reforms, has played into the hands of the Reds; and its corruption has wasted resources, including American aid, which might have won the civil war."

The *New York Herald Tribune* commented on Wong Wen-hao's appointment, saying he was both "honest and efficient" but that he takes office at a time when "even such a man may not be able to turn the tide of events . . . Much depends upon the support Mr. Wong is given. He probably would be able to put into effect the reforms needed to save China from the Reds if he had the wholehearted backing of the various factions of the KMT, of the provincial governors and, especially, of the more able commanders of the Chinese Army. The prospect that he will get this support, unfortunately, is slight . . .

"The worst element of the situation is the continuous tendency toward disintegration in China. This makes it more and more difficult for officials in Nanking—up to the premier and even president—to accomplish anything . .

"Anti-Subversion" Bill

US editorial opinion is sharply divided on the Mundt-Nixon "anti-subversion" bill which is now under Congressional consideration. Newspaper proponents of the measure support the argument of its sponsors that it would permit freedom of political action for the US Communist Party, but would also "bring it out into the open," and sever its connections with Moscow. The bill's opponents contend that its procedure for determining "subversive" activities is contrary to American tradition, and infringes on constitutional rights. A number of papers agreed that some method of unmasking the conspiratorial aspects of Communism and its front groups is needed, but thought there should be a new approach to the problem.

The *St. Louis Post-Dispatch* said: "The trouble with the bill is not its intent but its procedure. Its intent is to expose and keep down the spread of Communism in this country, just as our international policy is to keep down the spread of Communism elsewhere in the world. But its procedure is a fearful thing . . . The Senate should reject the bill because it would attempt an unconstitutional regulation of the basic freedoms which are guaranteed by the Bill of Rights."

The *Wall Street Journal*: "If we sincerely believe, as we profess to, that freedom under law is incomparably better than any species of dictatorship, that the individual has rights of which the state cannot deprive him, we should not begin to betray the political ideals we honor by risking any infringement of that freedom or those rights. Our Constitution permits the people to change it as they see fit; that is part of the freedom which the Constitution was established to protect. As for attempts to change the nature of our government by other than lawful constitutional means, we already have enough laws to punish and defeat them. Will more law cure lax enforcement?"

The *Los Angeles Times*: "The . . . bill does not seek to exterminate the Communist Party as an above-ground political organization but to cauterize it, so to speak; to make it a strictly American party by destroying, with exposure and restrictions on communication, its connections with the Moscow-controlled international conspiracy."

The *Washington Post*: "Mr. Justice Holmes once said what ought to be, at least for Americans, the final word on the subject: 'If there is any principle of the Constitution that more imperatively calls for attachment than any other, it is the principle of free thought—not free thought for those who agree with us, but freedom for the thought of those we hate."

What Chinese Papers Say

COMMENTS on United States Ambassador J. Leighton Stuart's statement deploring the anti-American demonstrations by Chinese students overshadowed Chinese editorial opinions on all subjects last week.

Ta Kung Pao published the most outspoken editorial reaction on Dr. Stuart's statement. It went on record that the paper, whose editorial policy is directed by Mr. Wang Yun-sen, a recognized authority on Japan affairs, has been opposed to American policy in Japan for the past two years and will continue to oppose American aid to Japan.

It stressed that opposition to United States actions in Japan should not be considered as hostile to the United States itself, adding that "a little discussion among friends is always a way to improve friendship."

A summary of the *Ta Kung Pao* editorial follows:

The United States, which fought shoulder to shoulder with us against Japan for four years, which after the war helped us in our reconversion and which then supplied our Government with large quantities of goods and large sums of money in U.S. currency, has for the past year or so been the target of attack by the Chinese people. . .

However, recently, in spite of the fact that the Chinese Government has been trying its best to explain the situation, the anti-American sentiment has continued to spread and to grow, and this is something which must be given careful consideration. . .

During the past few days this journal has been carrying a translation of an article entitled "Miscellaneous Impressions of Japan" by W. MacMahon Ball, Australian representative on the Allied Council for Japan, in which the writer expresses disagreement with General MacArthur's way of doing things in Japan. From this it can be seen that those opposing the American policy of aiding Japan are not confined to the Chinese.

Our American friends have always felt that the anti-American sentiment has been caused by deceit on the part of treacherous elements (as indicated by the Memorial Day speech made by John M. Cabot, U.S. Consul General in Shanghai). Yesterday, U.S. Ambassador Leighton Stuart issued a statement which is in the nature of a warning. This indicates that the Americans are paying close attention to this matter, and that they have certain misconceptions.

What is especially displeasing is that our American friends, in expressing their views, often emphasize the fact that the Chinese are ungrateful. The local newspaper, "Shanghai Evening Post & Mercury," in an editorial on the race exhibit held recently at St. John's University, first emphasised that that university is financed by American funds and then, went so far as to say that without General MacArthur's military successes, Chinese students could not have returned to Shanghai to study in an atmosphere of freedom. While we do not want to comment on the question of the credit for the military victories won, yet we dare say that if Sino-American friendship were built on China's gratitude to the United States, and not on moral principles, then that friendship would not last very long.

Although there is extremely intense enmity between China and Japan, yet if the United States were aiding Japan merely for the purpose of stabilizing the livelihood of the Japanese people, then from the standpoint of humanitarianism, the Chinese would not have openly and strongly opposed such aid to Japan. However, the United States, which puts national defense above everything else, thinks in terms of bases and strategy in connection with all of her international actions.

Why does the United States attach so much importance to national defense? To be prepared for possible war against Soviet Russia is only a negative reason for this. The positive reason is that the United States wants to maintain her status as the leader of the world. The United States' arrogance today is also a reason why she is disliked by others.

The people's freedom is the real trump card which the United States could use against Soviet Russia—it is also the cream of the Anglo-American type of democracy. But is this treasure still intact in the showwindow of the United States? We feel that the real mortal enemy of freedom is a keen sense of national defense. Those who have fallen victims to the United States' desire for leadership first are the American people. We do not propose to discuss here the traditional legislations for discriminating against the Negroes. Let us speak of the Whites alone. Since the Congress authorized J. Parnell Thomas to investigate the ideological background of the playwrights in Hollywood, the chapter on freedom of belief of the American Constitution has unconsciously been seriously infringed upon. The Mundt-Nixen Bill drafted recently by the House of Representatives has greatly reduced the people's freedom of movement through the imposition of restrictions on the issuance of passports.

The desire for leadership, when demonstrated externally, will unconsciously interfere with the internal affairs of other nations. Take, for instance, the recent elections in Italy and in South Korea alone. In connection with these elections, not only did the U.S. interfere with the internal affairs of these two nations, but her interference was open.

A government's prestige abroad depends largely upon the extent to which it is ready to carry out its promises. In the post-war period the White House has truly become so powerful that a word said by it may cause a nation either to rise or to fall. As a matter of fact, whether the wars in Greece and Palestine shall stop or continue hinges largely on a word or an act of the United States. However, due to her struggle with Soviet Russia, she has from time to time revised her promises made to other nations

What has cost the United States her moral prestige the most is the fact that she has annexed the three groups of Japanese mandated islands. Did not the United States reaffirm her promise at Cairo five years ago and at San Francisco three years ago that she would not seek any territorial expansion? The United States (according to the report of U.S. Assistant Secretary of the Navy Struve Hensel for 1945) already has 434 naval bases in the Pacific, Indian, and Atlantic Oceans and in the Mediterranean Sea and Central America. In fact, the U.S. national defense line has now been extended to the entire earth. On the one hand, the United States has maintained and strengthened the Pan-American union based on the Monroe Doctrine, and on the other hand, she would not allow the Black Sea countries to control the Dardanelles themselves and has asked that the Danube River be opened to navigation. In the eyes of the Chinese public, this is something too self-contradictory.

But what is surprising to us is that the American authorities are entirely unaware of their own self-contradictions.

Finally, we wish to make a statemen on two points: (1) The *Ta Kung Pao* does not favor U.S. aid to Japan, and it has held this viewpoint for the past two years. For the sake of China's existence and security, we still oppose the U.S. Government's policy of giving too much aid to Japan, but we are not anti-American. This must be clarified. (2) In order to analyze the causes of the anti-American sentiment, we have said the above unpleasant words to our American friends, but at the same time we wish to declare that we are not partial to the Soviet Union. The fact that we have said these candid words to our American friends does not mean that we feel that Soviet Russia is right in every respect. Especially have we consistently opposed her actions in the Northeast, including the dismantling and removal of the industrial equipment there and her refusal to return Port Arthur and Dairen to China.

VITAMINERALS — — — — VITAMINERALS — — — — VITAMINERALS

VITAMINERALS — — — VITAMINERALS — — — VITAMINERALS — — — VITAMINERALS

AN OPEN LETTER

June 7, 1948.

The response to my recent advertisement and article on Vitaminerals—Vitamin E products has forced me to the conclusion that there is considerable misunderstanding and confusion about the terms:

Vitamin E
alpha tocopherol
and mixed tocopherols

In view of this, and because it is the policy of VITAMINERALS INC., to let the public know what they are getting and why, this letter is an effort to simplify the whole subject so that all may thoroughly understand Vitaminerals' E products, and to provide the public with complete vitamin E information.

Nutritive Materials Are Mixtures

NATURE seldom produces nutritive materials in absolutely isolated form. They are always mixtures. NATURE seems to depend more upon proper mixtures of several ingredients instead of excessive amounts of singly isolated substances. So, in NATURE, the nutrient which we call vitamin E is always found in a complex, just as is the vitamin B-complex. This complex is made up of four factors; alpha, beta, gamma and delta tocopherols, just as natural B-complex is composed of vitamins B1, B2, B6, G, etc., etc.

Of the four tocopherols which make up this complex, it is the alpha tocopherol factor which is called vitamin E, and which clinicians believe is effective in treating heart and certain other conditions. Because alpha tocopherol is the first E-complex factor to be explored, clinically, there is, at present, a tendency to over-emphasize the importance of this single factor of the complex. But it would be entirely erroneous to discount the beta, gamma, and delta tocopherols, and to say that only the alpha tocopherol is of value in human nutrition.

* * *

Confusion Not Surprising

TO those who are familiar with the history of vitamins, the current confusion about the E-complex is not at all surprising. In 1906, the first B-factor to be discovered (in rice polish) and investigated clinically was the vitamin B "anti-beriberi" factor.... We were not acquainted with the values of the other B-factors; in fact, we weren't even aware that other factors were present. Later, scientific workers were to learn that vitamin B was a complex, and that all other B-factors were essential to human nutrition. And, still later, that they were all interdependent. That is, all vitamin B-complex factors were infinitely more beneficial when they were administered together, as found in nature.

Today, if we should insist upon vitamin B1, alone and apart from the complex, we would have to accept a synthetic substance. And if we should demand alpha tocopherol alone as a single factor, apart from its natural co-factors, we would again have to accept a synthetic product; d, l alpha tocopherol acetate.

Now to our knowledge, no responsible clinician has ever said, or ever will say, that the beta, gamma, and delta tocopherols are not in harmony with the therapeutic action of the alpha tocopherol. What some clinicians do say is that it is only the alpha tocopherol which they have discovered to be helpful—so far. (Please note that *"so far"*.)

Natural Sources

All Vitaminerals' vitamin E products contain alpha tocopherol in substantial amounts. But because the Vitaminerals' products are dervied from *natural sources*, they also contain the three other known tocopherols; beta, gamma, and delta. *Vitaminerals uses the most expensive* and by far the *richest known source of alpha tocopherol and its co-factors;* wheat germ oil. And in order to provide a blend of natural sources, we even go further and fortify the wheat germ oil with *natural mixed tocopherols* from vegetable oils.

VITAMINERALS — — — — VITAMINERALS — — — — VITAMINERALS

VITAMINERALS — — — VITAMINERALS — — — —

At this writing, there have been six types of mixed natural tocopherols developed from vegetable oils alone, all of varying costs and concentrations. As is our policy, Vitaminerals uses only the best and the costliest.

* * *

Can't Fool Nature

IT would be a simple matter, and it would be inexpensive, to offer the "straight" synthetic alpha tocopherol; it would also be simple to add it to our natural materials. But that's not how we operate. Vitaminerals still maintains its belief that you can't fool nature and get results.

You can't give a man a synthetic vitamin B1 tablet and tell him it's just as good as the entire vitamin B-complex. You can't give a man alpha tocopherol in synthetic form and say it's just as good as the four factors that make up the natural E-complex. From the very beginning, Vitaminerals has believed in natural products—*the way nature has planned them.*

Proved Correct

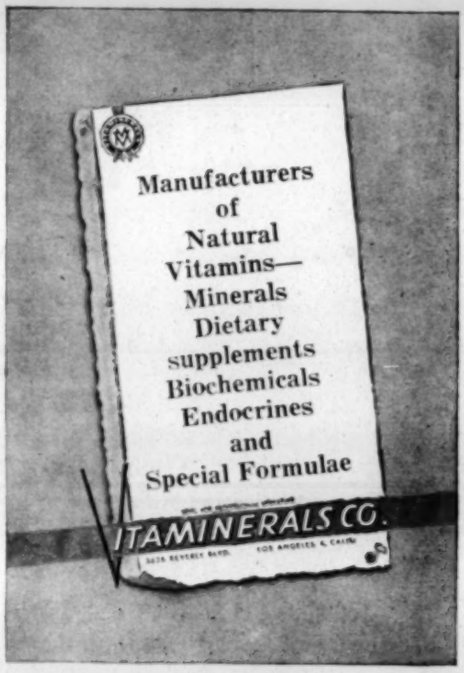
Time and time again, our foresight has been proved correct by the biggest men working in the field of human nutrition.

We are still convinced that every single one of the four natural tocopherols is of positive value and we believe that still more are present, although unknown. We do not entertain the slightest doubt that old Mother Nature will be proven right, again, and that these values will be discovered and established.

In the meantime, they *are now available in Vitaminerals products.* We are further convinced that the alpha, gamma, beta and delta tocopherols are interdependent, and that natural mixed tocopherols are of far more value than any single synthetic tocopherol. Actually, we are so convinced of these things that, even now, we are planning new labels for our E products which will list the complete E-complex, factor by factor.

I hope that with the publication of this long letter, the readers of your valued *China Weekly Review* will be able to read the reply to their numerous enquiries.

Yours very sincerely,
DR. PHILIP A. BRADFIELD.



Exclusive Sales Agents

VITAMINERALS—CHINA
220 Wei Fook Road—West
Canton, China
C. C. Fang, Manager

VITAMINERALS—HONGKONG
Pedder Building
G. P. O. Box 241
Hongkong,
C. P. Ho, Manager

VITAMINERALS INC.
3636 Beverly Boulevard
Los Angeles, California
Formulators of
Natural Vitamins Minerals
Endocrines Dietary Supplements

VITAMINERALS — — — VITAMINERALS — — — —

VITAMINERALS — — — VITAMINERALS — — — VITAMINERALS — — — VITAMINERALS — — — VITAMINERALS

Spring is here

CALTEX

TIME TO GIVE YOUR

MOTOR

A GOOD SPRING CLEANING

★ *The wise Motorist*

WILL NOT BE SATISFIED WITH JUST CHANGING FROM A **WINTER OIL** TO A **SUMMER OIL** FOR COMING HIGHER TEMPERATURES.

★ *Drive to a*

CALTEX STATION FOR A COMPLETE **MARFAK** LUBRICATION JOB, TOO.

★ *It will pay dividends*

CALTEX SERVICE STATIONS

1052 BUBBLING WELL ROAD	TEL. 36361
786 AVENUE JOFFRE	TEL. 68936
363 AVE DU ROI ALBERT	TEL. 73673
668 AVENUE FOCH	TEL. 66075
240 HONAN ROAD	TEL. 14868
1661 RUE PROSPER PARIS	TEL. 68849
942 YU YUEN ROAD	TEL. 22526
380 RTE FRELUPT	TEL. 68848
183 GREAT WESTERN ROAD	TEL. 21990
590 N. SZECHUEN ROAD	—
990 BROADWAY EAST	TEL. 53284

THE TEXAS CO. (CHINA) LTD

WHEELOCK BLDG SHANGHAI

Printed by THE MERCURY PRESS